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*Canada. Railway and Shipping,
Standing Committee, 1932.*

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

RAILWAYS AND SHIPPING

OWNED, OPERATED AND CONTROLLED BY THE GOVERNMENT

*Minutes of proceedings and evidence,
and Reports*
SESSION, 1932

PRINTED BY ORDER OF PARLIAMENT



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1932

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MEMBERS OF THE COMMITTEE

Mr. R. B. HANSON (York-Sunbury), *Chairman*.

Mr. A. L. Beaubien,	Mr. R. W. Gray,
Mr. L. G. Bell (<i>St. Antoine</i>),	Mr. A. A. Heaps,
Mr. C. E. Bothwell,	Mr. D. M. Kennedy (<i>Peace River</i>),
Mr. T. Cantley,	Mr. F. R. MacMillan (<i>Saskatoon</i>),
Hon. J. D. Chaplin,	Mr. P. McGibbon,
Mr. W. Duff,	Hon. R. J. Manion,
Hon. W. D. Euler,	Mr. A. E. Munn,
Sir Eugène Fiset,	Mr. C. G. Power,
Mr. J. A. Fraser (<i>Cariboo</i>),	Hon. R. Rogers,
Mr. G. R. Geary,	Mr. J. S. Stewart (<i>Lethbridge</i>),
Mr. S. Gobeil,	

JOHN T. DUN,
Clerk of the Committee.

ORDER OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, February 12, 1932.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest

ARTHUR BEAUCHESNE,

Clerk of the House.

HOUSE OF COMMONS,

TUESDAY, February 23, 1932.

Resolved,—That Standing Order 63 of the House of Commons relating to the appointment of the Select Standing Committees of the House, be amended by adding to the Select Standing Committees of the House for the present session a Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, to which will be referred the accounts and the estimates of the Canadian National Railways and the Canadian Government Merchant Marine for the present session, for consideration and report to the House.

Provided, however, that nothing in this resolution shall be construed to curtail in any way the full right of discussion in Committee of Supply, and that the said Committee consist of Messrs, Beaubien, Bell (St. Antoine), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (Cariboo), Geary, Gobeil, Gray, Hanson (York-Sunbury), Heaps, Kennedy (Peace River), McGibbon, MacMillan (Saskatoon), Manion, Munn, Power, Rogers, and Stewart (Lethbridge).

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

TUESDAY, March 1, 1932.

Ordered,—That the following Bill be referred to the said Committee:—

Bill No. 21, An Act respecting the Canadian National Railways and to authorize additional provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

THURSDAY, March 3, 1932.

Ordered,—That the said Committee be given leave to print 500 copies of proceedings and evidence which may be taken, from day to day, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

MONDAY, March 14, 1932.

Ordered,—That the Supplementary Estimates, 1931-32; Canadian National Steamships and Maritime Freight Rates Act, be referred to the said Committee.

Attest

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, April 1, 1932.

Ordered,—That the following Bill be referred to the said Committee:—
Bill No. 34, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1932.

Attest

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, April 26, 1932.

Ordered,—That the said Committee be given permission to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, April 26, 1932.

Ordered,—That the Estimates tabled Friday, 22nd April, 1932, being Resolutions Nos. 314, 315, 316 and 317, be referred to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

FIRST REPORT

THURSDAY, March 3, 1932.

Your Committee have considered Bill No. 21, An Act respecting the Canadian National Railways and to authorize additional provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931, and have agreed to report the said Bill without amendment.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

SECOND REPORT

THURSDAY, March 3, 1932.

It is recommended that 500 copies of proceedings and evidence which may be taken by your Committee be printed, from day to day, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

THIRD REPORT

THURSDAY, April 7, 1932.

Your Committee have considered Estimates Votes Nos. 312 and 313, being Supplementary Estimates, 1931-32, Canadian National Steamships and Maritime Freight Rates Act, \$2,242,474.83, and have agreed to recommend the same to the House.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

FOURTH REPORT

TUESDAY, April 26, 1932.

Your Committee have considered Bill No. 34, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1932, and have agreed to report the said Bill without amendment.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

FIFTH REPORT

TUESDAY, April 26, 1932.

Your Committee requests permission to sit while the House is sitting.
All of which is respectfully submitted.

R. B. HANSON,
Chairman.

SIXTH REPORT

THURSDAY, April 28, 1932.

Complying with an Order of the House, dated April 26, your Committee have considered Items Nos. 314, 315, 316 and 317 (Canadian National Steamships and Maritime Freight Rates Act) of the Estimates for the current fiscal year.

Your Committee approve of the said Items Nos. 314, 315, 316 and 317 and recommend them to the House.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

SEVENTH AND FINAL REPORT

FRIDAY, May 20, 1932.

Your Committee to whom was referred for consideration and report the accounts and the estimates of the Canadian National Railways, the Canadian Government Merchant Marine, the Canadian National (West Indies), Steamships, Limited, and the various bills presented to Parliament relating to the operations of the Railways and Shipping owned and controlled by the Government, held 18 public meetings, in the course of which they examined many witnesses, including three Directors and the necessary executive officers of the Company including the President.

1. *Bill No. 21.*

Your Committee had under consideration Bill No. 21 "An Act respecting the Canadian National Railways and to authorize additional provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931."

The object of this Bill was to authorize the Canadian National Railways to issue additional securities to the extent of \$11,372,498.86, for the purpose for the year 1931 of financing where the amounts available from net operating income and investments were insufficient.

In other words the Canadian National Railways Financing Act, 1931, which authorized the issue of securities to the principal sum of \$68,500,000 the estimated requirements for 1931, was insufficient for the purposes of the Railway to the extent abovementioned, and this Bill became necessary by reason of the ascertained income deficit arising from the operations of the Railways, and full explanation of this Bill was given in the House of Commons by the Minister of Railways and your Committee reported the same without amendment.

2. *Bill No. 34.*

Your Committee also had under consideration Bill No. 34 "An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1932."

The object of this Bill was to authorize the Canadian National Railways to issue securities to the extent of \$61,500,000 for the purpose during the year 1932 of financing where amounts available from net operating income or investments may be insufficient. This sum is made up of the followings:—

(a) Net income deficits, including profit and loss, but not including interest on Dominion Government advances, not exceeding.. . . .	\$ 42,784,610 13
(b) Equipment principal payments, sinking funds, miscellaneous maturing or matured notes and other obligations secured or unsecured, not exceeding.. . . .	11,681,651 87
(c) Construction and betterments, including coordinations; acquisition of real or personal property, and working capital, not exceeding.. . . .	7,033,738 00

Total.. . . .	\$ 61,500,000 00
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The detailed statement of the financial requirements and estimated capital expenditures for the year ending December 31, 1932, was placed before your Committee, amounting to the said sum of \$61,500,000, and while the Management of the system last year expressed their intention of reducing operating expenses and have put into effect economies which they affirm will approximate

\$28,000,000 in the years 1931 and 1932, yet the difference between estimated operating revenue and estimated operating expenses for the current year falls far short of meeting the interest on the funded debt in the hands of the public, which, without regard to any interest due to the Government, this year amounts to the sum of \$56,849,244.65, an increase in 12 months of \$1,634,267.18. Reference to the annual Report of the Company shows that the net additional capital expenditure for the period of 9 years from January 1, 1923, to December 31, 1931, amounts to the sum of \$419,669,620.64 which has imposed an additional annual interest burden of \$20,936,821 for the same period and accounts for approximately 37½ per cent in the increase of the annual interest charges due to the public. There is also \$1,357,650 due the Government for interest on unfunded debt.

In the light of the foregoing it is difficult for your Committee to appreciate, from a business standpoint, the wisdom of some of the capital expenditures made and included in the total increase above referred to. Doubtless had the present world depression not so adversely affected the system or continued for such a great length of time, better results from these capital expenditures would have accrued to the system. In view, therefore, of the results of the past two or three years, your Committee strongly recommend that until there is marked improvement in the earnings of the system, capital expenditures should be limited strictly to the barest necessities, always consistent with efficiency.

Your Committee had under consideration also the Annual Report for the year ending December 31st, 1931, and have agreed to report the same.

3. Operating Expenditures.

The operating expenditures for the year 1932, exclusive of Eastern lines, are estimated at \$139,304,000 while the operating revenues for the same period are estimated at \$157,248,000.

The operating revenues for the year 1931 amounted to the sum of \$177,273,738, or approximately \$20,000,000 more than the estimate for 1932.

In view of the rapid decline of the operating revenues, your Committee are impelled to recommend that the most stringent economy be exercised by the management in all the controllable operating expenditures, and in this regard your Committee recommend that with respect to executive officers and other salaried officials of the Railway, a thorough revision of salaries downward be made. In the report of your Committee for the year 1931, a specific recommendation to that effect was passed and in response thereto the report from the sub-committee of the Board of Directors, directed to the Honourable the Minister of Railways and Canals, dated the 16th February, 1932, was submitted to your Committee. This report announced that on July 31st, 1931, a horizontal cut of 10 per cent, affecting all officials and officers in receipt of salaries of \$4,000 and over, became effective, and has resulted in an annual saving of \$545,652, affecting in all 828 officials and officers. This means that the annual cost of the said 828 officials theretofore amounted to approximately \$5,456,200. The sub-committee of the Board of Directors were of opinion that specific rather than further horizontal reductions in salaries should be made, and stated that an examination of the salaries exceeding \$5,000 was under way, having in view additional economies. No subsequent report has been received, but your Committee concur that specific rather than a further horizontal reduction in salaries should be made, and in this connection desire to point out that in a statement submitted and produced to the Committee, it would appear that as of July 21st, 1931, there were 96 officials receiving \$10,000 and over and 37 officials receiving \$15,000 or over. Your Committee are of opinion that the salaries paid to the high officials are excessive and should immediately be substantially reduced.

Your Committee would further point out that there would seem to be a multiplicity of officials and the number of higher paid officials should be substantially reduced, especially those acting in the capacity of Assistants to heads of Departments. Your Committee therefore recommend that the sub-committee of the Board of Directors set up to deal with this matter be instructed to put into effect immediately the principles underlying this recommendation.

Included in the activities of the sub-committee of the Board dealing with the salaries of the Executive Heads and other officials, was the subject matter of the remuneration received by the President. Under the terms of his contract of engagement dated September 23, 1929, the President shall receive a fixed annual salary of \$75,000 per annum, without any extra fees or remuneration of any description. It has come to the attention of your Committee that the President is still in receipt of an additional \$5,000 fee from the Ontario Car Company and the special annual allowance for expenses not to be specifically accounted for approved by the Board of Directors on November 18, 1929, amounting to \$15,000, and your Committee recommend that the matter of the receipt of said fee of \$5,000 shall be again considered by the Board of Directors with a view to its possible cancellation. With respect to the special allowance of \$15,000 your Committee recommend that the payment of the same be reviewed by the Board of Directors as being inconsistent with the terms of his contract of engagement.

Following the recommendation of your Committee of last year, made on the suggestion of the President, a Royal Commission on Transportation has been set up by the Government and is now functioning. This Commission has not yet finished its labour or reported its findings. Your Committee are not desirous of anticipating the findings of the Commission but your Committee are of the opinion that the Report of the Commission which it is anticipated will be brought down shortly should be studied with the greatest care, not only by the Government itself, the systems of Railways concerned, but by the Canadian people generally, so that the views of the Commission may be thoroughly understood, and if deemed advisable given effect to at the next Session of Parliament.

4. Maritime Freight Rates Act and Eastern Lines.

Your Committee have also had under consideration Item No. 317 in the estimates providing for the payment to the Canadian National Railway Company as required by the Maritime Freight Rates Act of the deficit incurred during the period under review on Eastern lines. The amount of the estimated deficit is \$6,217,400, and in addition the sum of \$1,750,000 representing the estimated amount by which the revenues of the lines will be lessened during the year by the reduction of rates applicable to Eastern lines by the application of the Maritime Freight Rates Act. In view of the legislation existing your Committee are of opinion that the amounts asked for are necessary and proper to give effect to the letter and spirit of the Maritime Freight Rates Act, and in the operation of the Eastern Lines. Your Committee are, however, of the opinion that the two items above referred to, the deficit in operation of the Eastern lines, and the amount required to reimburse the National Railways for reductions in tolls under the application of the Maritime Freight Rates Act should not be included in the same estimate, and should be severed and shewn separately, even if legislation to effect that end is necessary, and respectfully recommend that appropriate action in the premises be taken so as to provide that the amount required to provide for the payment of the deficit in operation on the Eastern lines be entirely severed from the amount required to be paid in reduction of tolls under the application of the Maritime Freight Rates Act.

Your Committee have also had under consideration Item No. 316 being the amount required under the Maritime Freight Rates Act to provide for payment from time to time during the fiscal year 1932-33 of the difference, estimated by the Board of Railway Commissioners and certified by the said Board to the Minister of Railways and Canals, as and when required by him occurring on account of the application of the Maritime Freight Rates Act between the tariff tolls and the normal tolls, referred to in Section 9 of the said Act, on all traffic moved during 1932 by the independent Railway Companies mentioned therein, and your Committee are of opinion that this amount is necessary to implement the provisions of the Act in that regard and should be granted by Parliament.

5. Canadian Government Merchant Marine.

Your Committee have had under consideration Item No. 314 in the estimates, relating to loan to the Canadian Government Merchant Marine, Limited, to be applied in payment in deficits in operations of the Company and of the vessels under the Company's control during the year ending December 31, 1932, amounting in all to \$440,000, a decrease of \$148,500 over the previous year.

Your Committee have also considered the balance sheet of the Company and are of the opinion that the said sum of \$440,000 is required for the purpose of the Company and should be granted by Parliament. Your Committee reiterates their view and believe that the time has come when the Government should, if possible, abandon the policy of operating a Government Merchant Marine, and if possible arrange for the sale or lease of the fleet, and where practicable, and not contrary to Imperial or Inter-Dominion relations, make arrangements with other shipping companies so that the Trade of Canada may be protected.

6. Canadian National (West Indies) Service.

Your Committee have had under consideration Item No. 315 in the estimates, relating to the loans to the Canadian National (West Indies) Steamships, Limited, to be applied in payment of deficits in operations of the Company and of the vessels under the Company's control, during the year ending December 31, 1932, and interest requirements, which amounts to \$820,000 as compared with \$755,000 for the year 1931.

The year ending December 31, 1930, resulted in an operating loss of \$523,136.98, while the operating loss for 1931 was \$446,568.53, which is slightly above the amount of the subsidy previously paid to an independent Company by the Government for a much inferior service. Your Committee are in agreement with the principle that this Steamship service is a matter of treaty obligation and should be continued, but your Committee are of opinion that the utmost vigilance should be exercised by officials directing and in charge of this Steamship line so that, if possible, the cost of operation to the Dominion should be reduced to a minimum, consistent with efficiency, and at the earliest possible moment turned into an operating profit. The service performed by this line on both routes is an excellent one and should be constantly brought to the attention of the Canadian people whenever and wherever possible with a view to their patronizing the service.

With respect to the traffic originating in the British West Indies, served by the ships your Committee are of opinion that every effort should be made to induce the residents and commercial interests in such Colonies to patronize the service thus made possible for them at so great an expense by the Canadian people, to the fullest possible extent.

7. *Expense Accounts of Officials.*

Your Committee have had under consideration the question of expense accounts of executive and other officers of the Company. After fully considering the matter, your Committee desire to record their belief that there should be a much stricter supervision of all expense accounts, and before payment they should be supported by vouchers and that other necessary evidence of payment should be presented to a properly constituted Committee of Directors set up for the purpose of examining and passing on same and that payment of all such expense accounts, whether submitted by the President, executive heads or all other officials should be strictly limited to business purposes and that with respect to Company entertainment accounts, only those authorized by the same separate and controlling body should be approved. Last year your Committee made a strong recommendation in reference to this matter and reiterate what was then said, especially in relation to such matters as Club dues, entertainments and donations. A system of control similar to that in vogue in the best regulated industrial houses, finance and other institutions is required, and your Committee earnestly recommend that the Board of Directors forthwith put in effect such effective control as is necessary in the premises. The subject-matter is one that cannot be effectively dealt with by a Parliamentary Committee but the principle involved is an important one, and in the opinion of your Committee the best qualified body to deal with the matter is the Board of Directors.

These recommendations should apply specifically to all officers of the Company irrespective of their rank or station.

8. *Audit.*

According to the evidence submitted to your Committee on a previous occasion it has been shewn that the Government employs a reputable firm of Chartered Accountants to make a running audit of the railway operations. The auditors sign the Annual Report and give a certificate attached to the Consolidated Balance Sheet in which they state:—

We have examined the books and records of the Companies comprising the Canadian National Railway System for the twelve months ended the 31st December, 1931. The investments in Road and Equipment appearing in the books of the Companies as at the 1st January, 1923, were accepted by us.

We certify that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the affairs of the System as at the 31st December, 1931, and we further certify that, in our opinion, the relative Income and Profit and Loss Accounts for the year ended the 31st December, 1931, are correctly stated.

Your Committee are of opinion that the audit now in effect is not sufficient and should go much further, and the auditors should be empowered to go into every phase of the System's operations with power to call attention to any matter calling for comment in their judgment similar in principle to the powers vested in the Auditor General of Canada.

9. *Financial Control.*

Heretofore there has been control of the capital expenditures of the Company but down to a comparatively recent date the expenditures on operation were vested entirely in the executive heads of Departments, and were subject only to the review of the President. No such power should be vested in any one man or small group of men under the same control. In no sense can such a

system be deemed to be effective, and in the opinion of your Committee, this position should be remedied forthwith.

On the 2nd June, 1931, a Special By-Law No. 18 was enacted by the Board of Directors establishing a Finance Committee under the authority of the Statute relating to the Company, which By-Law was duly ratified by Order in Council No. P.C. 1398, passed on the 17th June, 1931. There was already Governmental control of capital expenditures under the Statute. By-Law No. 18 provides for the setting up of a Committee of the Board of Directors to be known as a "Finance Committee" to consist of three members of the Board, namely, the President of the Company who was to be the Chairman of the Committee, the Director holding the position of Deputy Minister of Railways and Canals, and the Director holding the position of Vice-President in charge of the legal affairs of the Company. The By-Law further provides that such Finance Committee shall, notwithstanding anything in any other By-Law to the contrary, have supervision and control over all matters relating to the capital expenditures of the Company, and particularly in respect to the provision of the moneys therefor and the allocation of such moneys. The By-Law as enacted and confirmed is silent with respect to expenditures for operation and maintenance and in the opinion of your Committee the scope of the By-Law should be immediately enlarged by appropriate action on the part of the Board so as to provide that two additional members of the Board shall also be members of the Finance Committee and that all expenditures for materials and/or supplies, or expenditures of any other character, save and except pay-rolls, amounting in value to say \$25,000 or over, should first be passed upon by the Finance Committee and subsequently ratified by the Board or the Executive Committee. Your Committee are of the opinion that such a provision would have a healthful and beneficial effect not only on the volume of purchases, especially as unanimity on the part of the entire committee is necessary under the terms of the By-Law, but also the manner and character of purchases, and your Committee earnestly recommend that immediate steps be taken by the Board to give effect to the principles underlying this recommendation.

10. *The President's Residence.*

Your Committee had under consideration the fact that on the eighth of August, 1930, pursuant to a Resolution of the Board of Directors passed on September 23, 1929, the residence No. 1415 Pine avenue, Montreal, was leased by the Railway Company for a period of ten years, as a residence for the President at an annual cost closely approximating \$20,000.

Having regard to all the evidence adduced and having special regard to the President's contract of engagement, dated September 23, 1929, as ratified and confirmed by his contract with the Government dated October 25, 1929, whereby the President agreed to serve as President and Chairman of the Company including the various constituent and subsidiary Companies comprising the system, and for the full and entire services to be performed from time to time for the fixed annual salary of \$75,000, without any extra fees or remuneration of any description, and in addition, but subject to the by-laws, rules and regulations applicable, all reasonable out-of-pocket expenses incurred in connection with the duties of his office or offices, your Committee are of opinion that the leasing of the residence appears to your Committee to be in contravention of the Contract of Engagement and even if legal was unwise and should not have been authorized.

The whole transaction in the opinion of your Committee was a successful attempt by the Board of Directors to do indirectly what could not be done directly by expenditure on capital account, namely, to procure a residence for the President free of rent, taxes and repairs, and your Committee consider that

the action of the Board of Directors in this regard indicates that while they may not have exceeded their legal powers they did not exercise that degree of prudence, care and judgment requisite in the premises.

Your Committee recommend that the whole transaction be reviewed and investigated by the Directors, with a view to ascertaining its legality, and if possible obtaining its rescission.

11. *Off-Line Offices in the United States.*

In recent years a large number of Off-Line passenger and freight offices have been established in leading cities of the United States, with a view to obtaining traffic for both branches of the service.

Data received with respect to the expenses of and gross receipts from all such offices shows that results have been fairly satisfactory with respect to freight traffic but with respect to passenger traffic the results achieved so far have not been commensurate with the cost.

Your Committee investigated with some care the situation with respect to the New York passenger office now located at 673 Fifth avenue. The initial cost of acquiring these premises and of alterations amounted to the sum of \$429,223.05, and the annual cost of operation including the rental of the premises 505 Fifth avenue, formerly occupied as passenger offices and which are still under lease and at present unoccupied, is now \$252,902. The gross amount of passenger traffic sold in 1931 was \$502,353, including transportation sold on other lines.

Your Committee recommend that the whole question of the New York and other Off-Line passenger offices should be carefully reviewed by the Management in conjunction with the Board of Directors.

Your Committee further recommend that careful consideration be given by the Management and by the Board to the question of closing such of the offices, both passenger and freight, as have not achieved satisfactory results, and also of co-operating with other Railway systems by joint arrangement so as to effect as much saving as possible.

12. *Pensions.*

A Memorandum respecting the various Pension schemes in effect was submitted to your Committee.

On December 31, 1931, there were 2,476 retired officials and employees on the Pension list and the total Pensions paid for 1931 amounted to \$1,248,000.83.

These Pension systems comprise:—

- (1) The Intercolonial and Prince Edward Island Railway Employees Provident Fund, which is still in force.
- (2) The Grand Trunk Railway of Canada Superannuation and Provident Fund scheme, closed in 1907 and the presently subsisting Grand Trunk scheme.
- (3) The Canadian National Railway Pension scheme, set up in 1929, and in force at the present time.

All of the above mentioned schemes have legislative sanction and authority, but inasmuch as in a return filed with your Committee it appears that during the past five years numerous employees received Pensions in excess of what the Pension schemes applicable to such employees call for your Committee are of opinion that attention should be called to this apparent excess of jurisdiction.

Your Committee are of opinion that the whole situation respecting Pensions should be reviewed, not with any view to reducing statutory Pensions but with the view to putting the Pension Schemes on a sound economic basis, including, if deemed desirable, the inclusion of the principle of contribution.

Your Committee are of opinion that inasmuch as the Pension schemes now in effect are statutory the payment of amounts in excess of the amounts called for by such schemes are not justified in principle, and your Committee recommend that the attention of the Board of Directors be called to this situation with a view to taking such action in the premises as may be deemed desirable and just, having regard to the fact that the principle of Pensions is an established principle and crystallized into Legislation.

13. Your Committee realizing that the exercise of political patronage or influence in the operation of this publicly-owned enterprise would do great injury recommend continued vigilance on the part of all concerned, to avoid the introduction of practices so detrimental to the public interest.

14. Your Committee recommend that the proceedings and evidence taken be printed as an Appendix to the Journals of the House, and that 700 copies be printed in Blue Book form, 500 in English and 200 in French.

15. Your Committee are glad to state that the report is unanimous.

A copy of the minutes of proceedings and evidence is tabled herewith.

All of which is respectfully submitted.

R. B. HANSON,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 3, 1932.

The Select Standing Committee on Railways and Shipping met at 10.30 a.m.

Members present: Messrs. Bell (*St. Antoine*), Bothwell, Cantley, Euler, Gobeil, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, Manion, Munn, Rogers, Stewart (*Lethbridge*).

On motion of Mr. Cantley,—

Resolved,—That Mr. Hanson be Chairman of the Committee.

Mr. Hanson took the Chair.

On motion of Mr. Heaps,—

Resolved,—That the Committee recommend to the House that 500 copies of proceedings and evidence which may be taken be printed, from day to day, and that Standing Order 64 be suspended in relation thereto.

Bill No. 21, An Act respecting the Canadian National Railways and to authorize additional provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931.

The Minister of Railways and Canals made a statement outlining the need for the passage of the bill. Questions followed.

The preamble and the various sections having been agreed to, it was

Ordered,—That Bill No. 21 be reported without amendment.

On motion of Mr. Bothwell,—

Resolved,—That the Committee adjourn until Thursday, March 10, at 11 a.m.

THURSDAY, March 10, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson, the Chairman, presided.

Members present: Messrs. Bell (*St. Antoine*), Bothwell, Cantley, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Gobeil, Hanson (*York-Sunbury*), Heaps, McGibbon, Munn, Rogers.

Each member of the Committee was provided with a copy of a report, dated February 16, 1932, addressed to The Honourable The Minister of Railways from the Executive Committee of the Board of Directors of the Canadian National Railways. This report was made by the said executive committee in response to a recommendation contained in the Third and Final Report of the 1931 Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government.

On motion of Mr. Euler,—

Resolved,—That, at the next meeting, the Committee will consider the report of the Executive Committee of the Board of Directors, and that Messrs. Boys and Smart, two members of the said executive committee, be invited to be present.

It was the opinion of the Committee that Sir Henry Thornton and Messrs. Hungerford, McLaren and S. W. Fairweather should be invited to attend the next meeting.

The Committee adjourned until Wednesday, March 16, at 11 a.m.

THURSDAY, April 7, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government, adjourned from March 10, met at 11 a.m. Mr. Hanson, the Chairman, presided.

Members present: Messrs. Beaubien, Cantley, Duff, Euler, Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Rogers, Stewart (*Lethbridge*).

Supplementary Estimates, 1931-32, Canadian National Steamships and Maritime Freight Rates Act (Items Nos. 312 and 313, totalling \$2,242,474.83), were considered.

On motion of Mr. McGibbon,—

Resolved,—That the Committee recommend the above Supplementary Estimates, Items Nos. 312 and 313, to the House.

The Committee proceeded to consider a report, dated February 16, 1932, of the Executive Committee of the Board of Directors of the Canadian National Railways, addressed to the Minister of Railways. This report was made in reply to the Third and Final Report of the Railways and Shipping Committee of last session.

Mr. W. A. Boys, K.C., Director, Canadian National Railways, was called and heard.

Sir Henry Thornton, K.B.E., President of the Canadian National Railways, was called and heard.

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways, was called and heard.

Mr. Lucien Moraud, K.C., Director, Canadian National Railways, was called and heard.

The Committee adjourned until Tuesday, April 12, at 11 a.m.

TUESDAY, April 12, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Duff, Fiset (*Sir Eugene*), Fraser (*Cariboo*), Gobeil, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Munn, Power, Rogers, Stewart (*Lethbridge*).

Mr. Heaps asked Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways, to try to provide, at the next meeting of the Committee, a statement showing the number of men employed by the Canadian National Railways during the last five years and the amount paid in wages during that period.

Mr. MacMillan asked Mr. S. J. Hungerford, Vice President, Operation and Construction Department, Canadian National Railways, to supply information respecting employment of men in 1930 and 1931 on the reconstruction of cars, engines, etc., indicating what portion of their wages was charged to capital account and operating account.

Hon. Mr. Rogers asked to be provided with the number of American citizens employed at Winnipeg.

On motion of Mr. McGibbon,—

Resolved,—That a sub-committee composed of three persons, present members of the Railways and Shipping Committee, shall be appointed by the Chairman of the said committee to investigate the expense account of officials, particularly for the year 1931; that the auditors of the company be instructed to assist them and to make such segregation and analysis of said accounts and vouchers as the sub-committee shall direct; and that a report shall be made at such date as said sub-committee shall direct; and further that said auditors be instructed to furnish such clerical assistance as shall place them in a position to report as aforesaid.

In pursuance of the foregoing resolution, the Chairman appointed Messrs. McGibbon, MacMillan and Euler as a sub-committee.

The Committee proceeded to the consideration of the 1931 Annual Report of the Canadian National Railway System, and of the Analysis of 1931 Operations as compared with 1930.

On motion of Mr. Stewart,—

Resolved,—That the Management of the Canadian National Railways be requested to submit to this Committee, as soon as possible, a copy of any resolution passed by the Board of Directors in relation to the Montreal house transaction and any other information that is of a written character, together with a memorandum covering the whole transaction.

On motion of Mr. MacMillan,—

Resolved,—That the Canadian National Railways furnish this Committee with a statement showing the number of "Form D-45" tickets they have issued in the last three years, and the amount of money that would be involved had the regular rates applied to the issue of such tickets.

Mr. Munn asked to be supplied with a statement showing the number of ties purchased during the past year, the number delivered, and the price paid.

Mr. Beaubien requested information respecting improvements made at the Chateau Laurier, Ottawa.

The Committee adjourned, to meet at the call of the Chair.

TUESDAY, April 19, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson, the Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (Cariboo), Gobeil, Gray, Hanson (York-Sunbury), Heaps, Kennedy (Peace River), McGibbon, MacMillan (Saskatoon), Manion, Munn, Rogers, Stewart (Lethbridge).

The Committee resumed consideration of the Annual Report of the Canadian National Railway System for 1931.

Discussion took place respecting motor truck competition.

Sir Henry Thornton, K.B.E., President, Canadian National Railways; Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian National Railways; and Mr. J. B. McLaren, Comptroller, Finance Department, Canadian National Railways, took part in the discussion.

The Committee adjourned, to meet at the call of the Chair.

TUESDAY, April 26, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m.; Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Gobeil, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

Bill No. 34, An Act respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1932, was considered and agreed to.

Ordered,—To report Bill No. 34 without amendment.

On motion of Mr. Cantley,—

Resolved,—That the Committee request permission to sit while the House is sitting.

On a question of privilege, Mr. Cantley stated that he had been misreported on April 19 (page 66 of the printed Minutes of Evidence). The statement attributed to him, viz.: "Following that the railways made an application for an increase in freight rates" should have read: "Following that the railways made an application for an increase in express rates."

Copies were distributed to the members present of a statement in booklet form "Memorandum *re* Pension Schemes."

On motion of Mr. McGibbon,—

Ordered,—That Mr. G. Henri Seguin, % Decary, Barlow and Joron, Notaries, 132 St. James Street West, Montreal, be summoned to attend for examination on Tuesday, May 3, at 11 a.m.

Mr. MacMillan submitted a list of questions respecting the New York offices of the Canadian National Railways and the hotel at Kingston, Jamaica.

Mr. McGibbon asked to be supplied with information respecting medical services.

Mr. MacMillan requested information concerning the Canadian National Magazine.

Mr. Munn inquired regarding tie contracts. The Chairman ruled that these contracts were placed in connection with unemployment relief and did not come within the scope of the Order of Reference of this Committee. Mr. Power appealed from the Chairman's ruling. A standing vote was taken and the Chairman's ruling was sustained, Yeas 8, Nays 7.

Mr. MacMillan submitted a list of questions respecting superannuation.

Mr. MacMillan asked that a statement be provided indicating directors' expenditures and fees from 1928 to date.

The Committee resumed consideration of the 1931 Annual Report of the Canadian National Railway System.

The Committee adjourned until to-morrow at 11 a.m.

WEDNESDAY, April 27, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

Sir Henry Thornton read and filed a statement made in response to a Resolution of the Committee, dated April 12, 1932, viz:—

Resolved,—That the Management of the Canadian National Railways be requested to submit to this Committee, as soon as possible, a copy of any resolution passed by the Board of Directors in relation to the Montreal house transaction and any other information that is of a written character, together with a memorandum covering the whole transaction.

Sir Henry Thornton's statement was discussed.

Ordered,—That the Agreement, dated 23rd September, 1929, between The Canadian National Railway Company and Major-General Sir Henry Worth Thornton, K.B.E., and the Agreement, dated 25th October, 1929, between His Majesty the King and Major-General Sir Henry Thornton, K.B.E., be incorporated in the proceedings. These two agreements form an appendix to this day's minutes of evidence.

Mr. W. A. Boys, Director of the Canadian National Railways, was questioned.

Sir Henry Thornton was heard respecting the Vancouver hotel.

The Committee adjourned until to-morrow at 11 a.m.

THURSDAY, April 28, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messieurs Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Duff, Euler, Fraser (*Cariboo*), Geary, Gobeil, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

The Committee considered Items Nos. 314, 315, 316 and 317 of the Estimates for the current fiscal year (Canadian National Steamships and Maritime Freight Rates Act, \$10,128,000). The Committee approved of these items with the reservation that opportunity be afforded to discuss them in the House.

Ordered,—To report recommending the items.

Written answers were supplied to questions previously asked, viz:—

1. Mr. Heaps—April 12—Number of men employed and wages paid during last five years.
2. Mr. MacMillan—April 12—Wages paid 1930 and 1931, and accounts to which these wages were charged.
3. Mr. MacMillan—April 26—Canadian National Railway Magazine.
4. Mr. MacMillan—April 26—Superannuation.

Hon. Mr. Manion asked for a statement showing the publicity costs for 1929, 1930 and 1931.

Mr. MacMillan asked for a statement showing expenses during 1929, 1930 and 1931, of the officials particularly charged with the work of publicity. Sir Henry Thornton and Mr. S. W. Fairweather commented on publicity.

The Chairman asked for a statement respecting the Archibald Contract, a copy of the contract, the expenditure incurred, the cost of the company's own architects and engineers, and all commissions and emoluments in connection with the Montreal Terminals, also a statement showing all expenses and fees incurred in connection with any other work "in which Mr. Archibald had a hand."

Mr. Kennedy asked for a statement showing legal expenses for the last three years (a) paid to whole-time lawyers of the company (b) paid to those outside of the company.

Mr. McGibbon asked for a statement showing commissions paid in respect of purchases of properties in connection with the Montreal Terminals.

Mr. MacMillan asked for a statement indicating the occasions during the last five years when directors have increased pensions. Sir Henry Thornton was heard on the subject of superannuation.

Mr. Cantley asked for a statement showing operating expenses of all hotels in 1930 and 1931, also total cost of Nova Scotian Hotel, Halifax, as at December 31, 1931.

Mr. McGibbon wants to know the cost of all hotels.

The Committee adjourned at 1 p.m. until 4 p.m. this day.

AFTERNOON SITTING

At 4 p.m. the following members were present: The Chairman (Mr. Hanson) and Messieurs Cantley, Fiset (Sir Eugene), Fraser, MacMillan, Munn, Power.

A quorum not being present, the Chairman announced that the Committee would meet on Tuesday, May 3, at 11 a.m.

TUESDAY, May 3, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Cantley, Chaplin, Duff, Geary, Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Powers, Rogers, Stewart (*Lethbridge*).

The Chairman, on behalf of a member of the House of Commons, submitted a list of eight questions respecting (a) revenue (b) expenditure (c) grain tonnage (d) grain and storage elevators (e) foreign legislation to protect transportation companies.

Mr. G. Henri Séguin, Notary, Montreal Que., present in answer to summons, was called, sworn and examined respecting the house in Montreal purchased for occupation by Sir Henry Thornton.

On motion of Mr. Power,—

Ordered,—That Mr. Decary be summoned to testify respecting the Montreal house transaction.

On motion of Hon. Mr. Chaplin,—

Ordered,—That an official of the Montreal Trust Company be summoned to testify respecting the Montreal house transaction, the Chairman to determine which official shall be summoned.

Sir Henry Thornton was questioned regarding the Montreal house transaction.

On motion of Hon. Mr. Chaplin,—

Ordered,—That Hon. C. A. Dunning be summoned to testify respecting the Montreal house transaction.

Hon. Mr. Chaplin asked for a statement showing the expense account of Mr. J. Gill Gardner for the last two years he was connected with the company.

An answer was supplied to a question asked by Hon. Mr. Manion at a previous meeting respecting purchases made from 1923 to 1931.

Mr. Vaughan was heard respecting purchases with special reference to ties.

Mr. S. W. Fairweather was heard concerning ties.

Mr. Stewart asked what officers used private cars during the latter half of 1930 and their destinations.

Mr. Stewart asked for the expense accounts of R. W. Deacon and L. V. Hummel for the latter half of 1930, also the salaries, fees and expenses paid by the company or by any of its subsidiaries to G. A. Gaston from 1923 to date.

Hon. Mr. Chaplin asked what officials have automobiles at the expense of the company.

Mr. Gray asked for a comparison of number of tons of freight moved in 1925 compared with 1929, and number of passengers carried in 1925 compared with 1929.

Mr. Beaubien asked what reduction in train mileage took place last fall in Canadian National Railways and Canadian Pacific Railways.

Mr. Séguin was discharged from further attendance.

The Committee adjourned at 1 p.m. until 4 p.m.

AFTERNOON SITTING

The Committee resumed at 4 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*). Geary, Gobeil, Gray, Hanson (*York-Sunbury*), Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

Answers were supplied to questions previously asked by:

1. Mr. Cantley, respecting expenses of hotels, and particularly the Nova Scotia Hotel, Halifax.
2. Mr. Bell, respecting the Montreal Terminals.
3. Mr. Cantley, respecting profit accrued from foreign lines, also as regards routing traffic via Maritime ports.
4. Mr. Kennedy, respecting legal expenses. Sir Henry Thornton was heard regarding legal expenses.
5. Mr. Stéwart, respecting house property in Montreal leased for officials of the company.
6. Mr. MacMillan, regarding the Jamaica hotel. Mr. W. S. Fairweather was heard respecting the Jamaica hotel.

Mr. Anderson, Law Branch, Department of Railways and Canals, Ottawa spoke briefly regarding the Jamaica hotel.

Mr. McGibbon, on behalf of the sub-committee appointed on April 12, referred to a visit made to the Montreal offices and produced a memorandum, read into the record, requesting that information be supplied by officials of the company in regard to certain expense accounts.

Mr. MacMillan, another member of the sub-committee, was also heard.

The Committee adjourned until to-morrow at 4 p.m.

WEDNESDAY, May 4, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 4 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanson (*York-Sunbury*), Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Stewart (*Lethbridge*).

Hon. Charles A. Dunning, former Minister of Railways and Canals, was called, examined and discharged.

Mr. Ernest R. Décary of Montreal, Que., former Director of the Canadian National Railways, was called, sworn, examined and discharged.

Mr. Henry J. Knubley, manager, Montreal Trust Company, Montreal, Que., was called, sworn, examined and discharged.

The Committee adjourned until Tuesday, May 10, at 11 a.m.

TUESDAY, May 10, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

On motion of Hon. Mr. Chaplin,—

Ordered,—That the amount of \$10 claimed by Mr. G. Henri Seguin of Montreal for sending a copy of the deed of sale in connection with the Montreal house purchase, requested by the Chairman on May 3rd and received on May 7th, be paid.

Mr. McGibbon moved that the information asked for in the following memorandum be presented to this Committee, viz:—

MONTREAL, April 20, 1932.

Memorandum for Mr. J. B. McLaren, Comptroller, Canadian National Railways

Confirming verbal request as a result of a partial examination of headquarters expense accounts, we would ask you to furnish the Sub-Committee enquiring into the same with the following:—

(A) Copies of expense vouchers, and supporting statements showing the itemized amounts, for the years 1930 and 1931 for the officials enumerated below. The name of the official might be left off, so long as the voucher is keyed to the letter designation placed opposite each name. The receipts attached to the voucher need not be copied but where these occur, the letter "V" might be shown opposite the corresponding item to indicate that a voucher was filed to support the expenditure. In the case of officials not required to submit receipts, a notation to such effect might be made on the account.

A.—Col. Hiam,

B.—Dr. McCombe,

C.—W. D. Robb,

D.—G. A. Caston,

E.—C. W. Johnston,

F.—W. S. Thompson,

G.—G. H. Lash,

H.—C. F. Goldthwaite,

I.—A. J. Hills,

J.—R. B. Teakle,

K.—P. M. Butler.

Also, from other regions:—

L.—C. G. Bowker,

M.—W. J. Barber,

N.—C. J. Smith.

We also should like to receive a statement showing for the years 1930 and 1931 the amounts, not included in the expense accounts of officials, expended for the operation of private and business cars while in the service of such officers, including provisions drawn from stores. The expenses of the President in this connection should be stated separately.

It is desired also to have furnished copies of the monthly statements of disbursements in the years 1930 and 1931 from the so-called Hobbs & Shaw Trust Account, showing for each item of \$25 or over the destination and purpose of the payment, briefly stated. It may be that you will have to refer this request to Mr. Hobbs in whose custody the accounts appear to be.

It will be appreciated if the copies of vouchers for those at headquarters are furnished as soon as possible, following later with those referred to from other regions.

(Sgd.) F. R. MACMILLAN.

(Sgd.) PETER MCGIBBON.

In amendment to the foregoing, it was moved by Hon. Mr. Euler,—

Whereas with the limited time at their disposal, and after an investigation of only a few hours, two members of a sub-committee, namely, Messrs. McGibbon and MacMillan, would not be able to obtain such complete information as

will enable them to present a true picture of the situation which these gentlemen have under review, involving as it does the examination of disbursements approximating \$1,900,000 covering the travelling expenses of 3,500 persons distributed amongst 43,000 accounts;

Whereas the recognized custom of large corporations is to deal with matters of administrative details, such as expense accounts, through duly constituted boards or sub-committees thereof, who enjoy the confidence of the shareholders;

Whereas the Board of Directors and the management of the Canadian National Railways are fully empowered, and can most effectively deal with such matters;

Whereas a sub-committee of the executive of the Board of Directors of the Canadian National Railways is at the present time inquiring into matters similar to that to which the attention of Messrs. McGibbon and MacMillan has been directed;

Whereas this Committee is of opinion that the isolation and presentation to the public of the expense accounts of approximately ten or twelve officials and their ex parte analysis will only serve to impair the morale of the Canadian National organization, and prejudicially affect the efficiency of the Canadian National Railways system itself.

Resolved that any report of Messrs. McGibbon and MacMillan be submitted to the Executive Committee of the Board of Directors of the Canadian National Railways for its information and such action as may be thought fit and proper in the circumstances.

The question being put on the amendment by Hon. Mr. Euler, it was negatived on a recorded vote, viz: Yeas: Messrs. Beaubien, Bothwell, Duff, Euler, Gray, Heaps, Munn, Power—8. Nays: Messrs. Cantley, Chaplin, Fraser, Gobeil, Kennedy, McGibbon, MacMillan, Rogers, Stewart—9.

The question being put on Mr. McGibbon's motion, it was resolved in the affirmative on the same recorded division, reversed.

Answers were supplied to questions asked at previous meetings of the Committee by Messrs. Gray, Bell, Beaubien, MacMillan and McGibbon.

The question of medical attention afforded to employees of the Canadian National Railways was discussed, and Dr. McCombe, Chief Medical Officer, was heard thereon.

Answers were supplied to Hon. Mr. Manion respecting Publicity and Publicity Costs.

Mr. McGibbon asked to be supplied with a list of those taking part in broadcasts and the salaries paid within the last few years.

Answers were supplied in response to questions by Mr. Bell respecting Hudson Bay Railway.

On motion of Hon. Mr. Chaplin,—

Ordered,—That a statement in gross of each of the expense sheets of the present directors of the Canadian National Railways for the period of the fiscal year 1931 be supplied.

The Committee adjourned until 4 p.m.

The Committee resumed at 4 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Stewart (*Lethbridge*).

The Committee reviewed the booklet, "Canadian National Railways—Estimated Financial Requirements—1932."

Sir Henry Thornton was heard respecting co-operation with the Canadian Pacific Railway Company.

Mr. Burnap, Vice-President of Traffic, Canadian National Railways, spoke briefly respecting Excursion Trains.

The Committee agreed to approve of the contents of the said "Canadian National Railways—Estimated Financial Requirements—1932," subject to the right to discuss later any subject pertinent thereto.

The Committee adjourned until to-morrow at 4 p.m.

WEDNESDAY, May 11, 1932.

The Select Standing Committee on Railways and Shipping, in accordance with notice given, met at 4 o'clock, p.m., Mr. Hanson, the Chairman, presiding.

Members of the Committee present: Messieurs Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugène), Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanson (*York-Sunbury*), Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers and Stewart (*Lethbridge*)—21.

Sir Henry Thornton stated that they were prepared to furnish answers to a number of outstanding questions, as follows:—

Question by Mr. Rogers: How many Americans employed in Canadian National Railway shops at Winnipeg? Answer: Thirteen.

Question by Mr. Munn: Number of ties purchased during the past year, the number delivered and the prices paid?

Answer: Contracted for 4,428,663; delivered, 4,019,965; price paid, \$2,559,-441.34.

Discussion followed.

On motion of Mr. Chaplin it was ordered: That a list of all the contracts for railway ties during the years 1930 and 1931 be supplied to the Committee, together with the names of the contractors supplying the ties.

Mr. Fairweather read a statement containing detailed information respecting expenses of directors in connection with directors and executive committee during 1931. (See evidence.)

Question by Mr. McGibbon: Respecting commissions paid in connection with the acquisition of property for Montreal Terminal, "Development," Chap. 12, 1929. Statement read by Mr. Fairweather. (See evidence.)

Question: How many employees in Legal Department in 1929, 1930 and 1931, divided between lawyers and others. (See evidence.)

Questions, *re* New York Office Building. Long detailed statement read to the Committee in connection with the acquisition of the property, and all matters arising therefrom.

Considerable discussion followed respecting the matter under review. (See evidence.)

Question by Mr. MacMillan, to be supplied: Rentals of offices in Boston, Buffalo, Detroit, Pittsburgh, Philadelphia, Minneapolis, Los Angeles, Chicago and Portland, earnings and costs.

Some discussion respecting London and Paris offices.

Discussion on passenger and freight business of the railways, excursion and week-end cut rates, automobile and bus competition, etc.

It being six o'clock the Committee adjourned to meet again to-morrow, Thursday, at 11 o'clock, a.m.

THURSDAY, May 12, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

Questions asked at previous sittings of the Committee were answered, viz:

1. Mr. MacMillan—Rentals for freight and passenger offices in United States.

2. Mr. McGibbon—Ratio between operating profit and interest on debt we owe to the public, 1923-1931. Incidental to the answer supplied to Mr. McGibbon.

The Maritime Freight Rates Act was discussed, followed by discussion respecting freight charges from points outside of the maritime zone.

Mr. Burnap, Vice President of Traffic, was heard respecting freight rates.

3. Mr. MacMillan—Money received by President Sir Henry Thornton in lieu of rent. Sir Henry Thornton was heard in explanation.

4. Mr. Kennedy—Cost of passenger service and cost of freight service.

5. Mr. Stewart—Payments made to Mr. G. A. Gaston. Sir Henry Thornton outlined at considerable length the duties performed by Mr. Gaston. Hon. Mr. Manion commented on Mr. Gaston.

6. Mr. Hanson—"Archibald" contracts. Mr. S. J. Hungerford, Vice President of Operation and Construction, made a general statement and replied to several questions.

7. Mr. Duff—Bonds issued respecting Sunnybrae-Guysboro branch lines (Question asked in House). Mr. P. M. Anderson, Law Branch, Department of Railways and Canals, was questioned.

Mr. Kennedy asked for information relative to a statement regarding Revenue contained on page 3 of the "Analysis of 1931 Operations as Compared with 1930". Sir Henry Thornton and Mr. S. W. Fairweather, Director, Bureau of Economics, replied.

Mr. Beaubien requested an early answer to a question previously asked by him respecting repairs to the Chateau Laurier suite occupied by the Prime Minister.

The Committee adjourned at 1 p.m. until 4 p.m. this day.

The Committee resumed at 4 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bothwell, Cantley, Chaplin, Duff, Euler, Fiset (Sir Eugene), Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan, (*Saskatoon*), Manion, Munn, Power, Stewart (*Lethbridge*).

Questions asked at previous sittings were replied to viz:

1. Mr. McGibbon—List of those taking part in radio broadcasting and salaries paid (*replied to in part*).

2. Mr. Duff—Steam coal shipments 1931. Discussion took place respecting possible economies which could be effected by purchasing non-Canadian goods. Sir Henry Thornton and Mr. Vaughan were heard.

3. Mr. MacMillan—Number of men employed in Colonization Department in Europe.

The Chairman announced that he had tried to get the Prime Minister to attend the Committee this afternoon in connection with Mr. Beaubien's enquiry respecting the Chateau Laurier suite. Pressing business, however, detained the Prime Minister in the House of Commons.

The question of tie contracts was again discussed.

There were filed with the Committee expense accounts for 1930 of the executive officers of the Canadian National Railways.

The Committee considered the Annual Report of the Canadian Government Merchant Marine Limited and Canadian National (West Indies) Steamships Limited for 1931. Mr. A. H. Allan, General Manager, was heard. On motion of Mr. Duff, the Committee adopted the Report.

The Committee adjourned until to-morrow at 11 a.m.

FRIDAY, May 13, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

An answer was supplied to Mr. Beaubien's question, asked at a previous sitting, respecting the cost of alterations made in the Chateau Laurier suite occupied by the Prime Minister.

The Rt. Hon. R. B. Bennett, Prime Minister, was heard with reference to the subject matter of Mr. Beaubien's question, and as regards the private railway car provided for his use.

Sir Henry W. Thornton, President of the Canadian National Railways, addressed the Committee regarding both matters.

Answers were supplied to questions previously asked, viz:—

1. Dr. Duff—Private railway car supplied for Rt. Hon. Mr. Bennett.

2. Hon. Mr. Manion—Private railway cars supplied for Rt. Hon. Mr. Mackenzie King.

3. Hon. Mr. Manion—Comparisons of freight rates, Maritimes and Ontario-Quebec.

(This information is printed as Appendix "A" to evidence taken this day.)

4. Hon. Mr. Chaplin—Placement of tie contracts for delivery in 1930.

(This information is printed as Appendix "B" to evidence taken this day.)

Placement of tie contracts for delivery in 1931.

(This information is printed as Appendix "C" to evidence taken this day.)

On motion of Mr. Duff,—

Resolved,—That all reports before the Committee for consideration be now passed.

The Committee adjourned until Tuesday, May 17, at 11 a.m.

TUESDAY, May 17, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met in camera at 11 a.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messrs. Beaubien, Bell (*St. Antoine*), Bothwell, Cantley, Chaplin, Duff, Euler, Fraser (*Cariboo*), Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

The Committee commenced to review the evidence adduced.

At 12.15 p.m., by invitation of the Committee, Sir Henry W. Thornton, K.B.E., President; Mr. S. J. Hungerford, Vice-President of Operation and Construction; Mr. D. C. Grant, Vice-President of Finance and Accounting, and Mr. V. I. Smart, Deputy Minister of Railways and Canals, attended and were severally heard respecting the control of expenditure.

At 12.40 p.m., the above-named witnesses retired, and the Committee continued in camera.

The Committee adjourned at 1 p.m. until 4 p.m.

AFTERNOON SITTING

The Committee resumed in camera at 4 p.m. Mr. Hanson (*York-Sunbury*), presided.

Members present: Messrs. Beaubien, Chaplin, Euler, Fraser (*Cariboo*), Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

The Committee continued their review of the evidence adduced.

The Committee adjourned at 5.10 p.m., until to-morrow, May 18, at 4 p.m.

WEDNESDAY, May 18, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met in camera at 4 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messieurs Beaubien, Bothwell, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gobeil, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

The Chairman submitted and read a draft report as a suggested basis for the Committee's final report to the House.

The Committee considered the draft report.

The Committee adjourned at 6 p.m., to meet at the call of the Chair.

THURSDAY, May 19, 1932.

The Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government met in camera at 4.45 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messieurs Beaubien, Bell (*St. Antoine*), Bothwell, Chaplin, Duff, Euler, Fraser (*Cariboo*), Geary, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Manion, Munn, Power, Rogers, Stewart (*Lethbridge*).

The Committee resumed consideration of the draft report.

The Committee adjourned at 6 p.m. until 8 p.m.

The Committee resumed at 8 p.m. Mr. Hanson (*York-Sunbury*), the Chairman, presided.

Members present: Messieurs Beaubien, Bothwell, Chaplin, Duff, Euler, Geary, Gray, Hanson (*York-Sunbury*), Heaps, Kennedy (*Peace River*), McGibbon, MacMillan (*Saskatoon*), Munn, Power, Stewart (*Lethbridge*).

The Committee concluded consideration of the draft report.

As amended, the draft report was unanimously adopted and was ordered to be presented to the House as the Seventh and Final Report of the Committee.

On motion of Mr. Gray, a vote of thanks was tendered to the Chairman, Mr. Hanson (*York-Sunbury*).

The Committee adjourned.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

MARCH, 3, 1932.

The Select Standing Committee on Railways and Shipping met at 10.30 a.m. to consider Bill 21, an Act respecting the Canadian National Railways and to authorize additional provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1931.

Mr. HANSON, the Chairman, presided.

Hon. Mr. MANION: May I say a word in regard to this bill, but before mentioning the bill I may say to you that in the committee meetings last year we passed some resolutions in the final report dealing with salaries and various other matters—expenses of various kinds. The directors have dealt with them and have made a report to me to present to you. I am having the report typed this morning because I want to keep a copy in my own office. When I have it copied in a day or two I shall give to you, Mr. Chairman, the report of the directors in regard to the recommendations of the committee last year. Then, if it is desired—and I presume it will be—there is no reason why you should not have the chairman of the directors sub-committee who dealt with this matter before you and discuss the matter with him at the same time as you have the officers here to discuss the various affairs of the national road. I understand Mr. W. A. Boys was the Chairman of the sub-committee of directors who dealt with the various proposals that were put before the directors last year and I told Mr. Boys myself that in all probability you would want him here before you to discuss some sections of the report and to give you the reason for doing this, that and the other thing or, perhaps, for leaving undone the things that you think should have been done. If it is the desire of the committee at one of your later meetings that you should have some of the directors here as well as some of the officers of the company there is no reason why you should not.

Now, with reference to this morning's business I may say that the annual report of the national roads will not be ready for about two weeks so far as I can find out. They gave me a list of dates recently upon which in previous years they have presented their reports to the parliament of Canada, and it has always been about March 15th or later. But I am hoping they will have their annual report by about the 15th of March or possibly a little sooner, and as soon as it is ready I shall present it to the house and then it will be up to the committee to have these statements of accounts that your Chairman has mentioned and to study them in order that you may deal with them.

However, in the meantime, the Canadian National Railways is in need of money, and they estimate that if they can get this supplementary bill passed which we passed in the House of Commons the other day and referred to the committee, covering the amount of \$11,372,000, it will carry them on until you have had time to deal with the regular estimates and pass some of these estimates back to the House to supply them with further money. They are badly in need of money because unfortunately—I will say this before I mention the Bill further—unfortunately the conditions in the railway world are not improving very much. This year, even as compared with last year, the returns are down in round figures about \$600,000 a week in the gross returns of the Canadian National Railway. The C.P.R. may not be quite so bad, but they are about

in proportion. I explained the Bill in the House the other day, and the chairman and I talked about it and decided that the explanation which had been given me was rather a complicated explanation, and I worked out an explanation of my own which I think, is much simpler. As we have it in the Bill there is a debit and a credit and a debit and a credit and about the time you got to the second debit naturally there was a bit of confusion. I have put the debits first and the credits afterwards, and it is much simpler, and I have used round figures. First I shall give you the debit—the increase in needs. They had put in an estimate last year of an estimated deficit so far as paying interest to the investing public was concerned of \$31,000,000. Hansard contained a typographical error and made it \$51,000,000 instead of \$31,000,000. This statement shows that the real estimate in round figures is \$52,000,000. Thus they need \$21,000,000 more to meet this interest to the public. Second, equipment, principal payment, sinking funds etc., \$492,000, which is also in addition to what they estimated for last year. Their estimate is three million, and it is \$492,000 more than that. I am giving you the round figures. Finally, there was an \$11,000,000 item which as I explained to the house the other day was for the purpose of paying the 75% of the equipment. Their method of buying equipment in the past has always been on the Philadelphia Plan; they pay 25% cash, which the parliament of Canada has been meeting regularly, and then the other 75% is raised on lien notes—something akin to a chattel mortgage—from American banking institutions. This \$11,000,000 is the other 75%. But because of the difficult financial situation in the United States at the present time they could not borrow this \$11,000,000, and they have to fall back on the government of Canada to give it to them. Taking these three items together they amount in more or less round figures to \$32,393,000.

Then, we have the credits against that. The first item is additions and betterments. They put in an item last year for additions and betterments to cover their needs of \$20,687,000, or nearly \$21,000,000 for additions and betterments. Out of that they spent \$6,900,000 which leaves out of that item \$13,700,000 which, according to the Act of last year, they are permitted, if the deficit went to a greater extent than they had intended or expected, to apply to the deficit. Now, that is a credit of \$13,700,000. The second item is \$7,331,000 which is explained in this way. They put out a \$70,000,000 bond issue in 1931. The government had handed over the proceeds to them, and they had remaining, which they might have spent according to the statutes of last year, \$7,331,000.

Now, it is, perhaps, of interest to know what that was supposed to be spent upon last year. I will give you the figures. Montreal Terminal \$4,293,000, which was not spent; Toronto Terminal \$1,356,000, which was unspent; Branch Line \$1,635,000 which was unspent; Northern Alberta Railway \$45,800, which was unspent. In this Bill you will notice in clause 2 there is permission to use this \$7,000,000 cash which they got for other purposes. Taking those two items together \$13,700,000 and \$7,000,000 odd that makes a credit of \$21,000,000 and leaves the balance which is provided for in the Bill of \$11,372,498.86.

Hon. Mr. EULER: The amount for the Montreal Terminal was \$4,000,000?

Hon. Mr. MANION: Yes.

Hon. Mr. EULER: Was none of that expended?

Hon. Mr. MANION: They put in, I think, \$8,000,000 for the Montreal terminals last year, but they only spent—I think I have the exact figure here—\$3,000,000 or \$4,000,000.

Hon. Mr. EULER: Has the work stopped altogether?

Hon. Mr. MANION: Yes. It is practically stopped. I have not gone into a lot of detail. They spent \$6,000,000 out of \$8,000,000 which left them \$2,000,000, and while I have put down here \$4,293,000, there are some other credits mixed up with it, giving the figure I have mentioned.

Mr. McGIBBON: What is the total expenditure at the present time?

Hon. Mr. MANION: At the Montreal Terminals? In round figures, \$15,000,000.

Mr. McGIBBON: Does that include the cost of land?

Hon. Mr. MANION: Yes. More than half of it is land.

Mr. McGIBBON: Is that all paid for?

Hon. Mr. MANION: No. There is some land unpaid for. You will notice in this year's estimate an item for Montreal Terminal of two or three million dollars odd. That will be to pay for some of the land which has been expropriated and which they cannot do otherwise than pay for.

The CHAIRMAN: There has been a big suit with Mr. George W. Stevens which has just been decided in the Exchequer court and which makes a little over \$15,000,000.

Mr. McGIBBON: Arising out of that there is something that might facilitate the business of this committee. The estimates will not be down for a couple of weeks and it is getting pretty near Easter when, possibly, an adjournment will take place and will throw the work of the committee well on to the end of the session. Of course, it is inevitable that we take up our final report last year and see what the directors have done—how far they have carried out our instructions and so forth—and it has just struck me that we probably might deal with that before the regular estimates are brought in.

The CHAIRMAN: That could be done if that is the wish of the committee.

Mr. McGIBBON: I think we could do that without calling on the board of directors. We got all our information last year from Mr. Fairweather the statistician of the railway, and possibly, we can do so again.

The CHAIRMAN: May I ask, gentlemen, that we proceed in a little more orderly way. Will somebody make a motion that the proceedings be printed?

Motion carried.

The CHAIRMAN: We have now before us Bill No. 21 which has been referred to us by the house—the Canadian National Railways Financing Act. This Bill has been distributed. The explanatory note in the Bill is as follows: "The object of this Bill is to authorize the Canadian National Railway Company to issue additional securities to the extent of \$11,372,498.86 for the purpose of the year 1931 of financing where the amounts available from net operating income and investment were insufficient." The Minister has been good enough to give us an explanation of just how that amount is made up. I have in front of me the statement from the Accounting department dated the 25th of February, 1932, which sets out in tabulated form just how this amount is arrived at. It would seem to me to be a good thing if this sheet could be put in the proceedings so that members could study these figures quietly by themselves.

Hon. Mr. MANION: The first sheet of the report.

The CHAIRMAN: Have you those documents?

Mr. McGIBBON: Yes.

The CHAIRMAN: I did not know that it had been distributed; I had not seen it before. You will note the amount authorized was \$68,500,000. You remember there was a bill covering that amount. The actual requirements were \$79,872,498.86, made up of the additional debits and credits that are noted there in red. It was a synopsis of this statement that the Minister gave, and a simplification of it. My understanding of the situation of the National Railways is that the railways cost the country last year about \$112,000,000. For the purpose of getting a true picture of the situation on the record, I wonder if the Minister will be good enough to give the committee an idea of how this \$112,000,000 is made up.

Hon. Mr. MANION: Yes. I was going to do that when the regular estimates are brought down in the house, because it is a very complicated matter. You read in the press that there is a deficit of \$56,000,000 this year. That is quite correct. Then, you read that the railways cost the country \$112,000,000. That is also quite correct, but the difference is this: that \$56,000,000 deficit is merely the deficit on operating accounts so far as paying interest to the investing public is concerned. The investing public is owed interest to the extent of \$57,000,000 this year including Eastern lines, but if we take the one million surplus off that amount, it leaves a deficit in interest to the public of \$56,000,000. Then there are additions and betterments, hotels, and some other items in the estimate of last year which totalled \$87,000,000. But in addition to that there are statutory requirements, and I shall read them to you: there are the maritime freight rates, about \$10,000,000.

Hon. Mr. EULER: Surely, the maritime freight rates are not charged against the railway. The government reimburses the railway for that.

Hon. Mr. MANION: We had to put it up on railway account. That is the point. It is a loss on the railway. It is charged against the country on railway account. There is no question about that. We will not argue that just now.

Hon. Mr. EULER: On maritime account.

The CHAIRMAN: Put it any way you like.

Hon. Mr. MANION: That is \$10,000,000. Then, there is an item which I do not think should be chargeable to railways, and that is the Canadian Government Merchant Marine and West Indies steamships, which amounts to \$1,000,000. That is part of the \$112,000,000. Then, there are statutory items passed last year, branch lines, a little over \$5,000,000; Toronto terminals, \$1,000,000; Montreal terminals, \$6,000,000; Northern Alberta Railway Company, \$395,000; St. John and Quebec Railway, \$250,000. If you add these figures, you will find that they make roughly a total of \$112,000,000, instead of the estimated \$87,000,000 of last year: in other words, the deficit on interest, plus the statutory requirements, and additions and betterments.

The CHAIRMAN: Gentlemen, when I called for this discussion, I was not aware that another committee was to meet here at eleven o'clock. Unless this committee wants to proceed and hold over the other committee, I think we had better go on with the bill.

Sections 1, 2, 3, 4, 5 and 6 carried.

The CHAIRMAN: Shall I report the bill?

Carried.

Some consideration should be given by this committee to these matters; among other things, they include the direction to the Board of Directors to deal with certain phases of the administration. What is the wish of the committee?

Hon. Mr. EULER: I would suggest, before we discuss the matter, that we should have one or two of the members of the railway present.

The CHAIRMAN: Quite right. I agree they should be present.

Mr. McGIBBON: It is a matter largely of getting a report from the chairman, or from Mr. Fairweather, who is the statistician of the National Railways, as to whether our recommendations have been carried out or not.

Hon. Mr. MANION: I do not think Mr. Fairweather will be in a position to help you in that matter. I think Mr. Boys, who is the chairman of the committee of the directors, and who dealt with your recommendations, would be the proper man to have here.

The CHAIRMAN: I do not think that Mr. Fairweather can help us.

Mr. McGIBBON: Mr. Fairweather has all the information. He is a statistician. He would have information in regard to the \$100,000 fees that was taken out of the treasury to pay the club fees of the officials. He is the man to tell us whether that was done or not.

Hon. Mr. MANION: We can have him here.

Mr. McGIBBON: I do not think Mr. Boys would have any information.

The CHAIRMAN: The question is shall we adjourn to this day week?

The Committee adjourned until Thursday, March 10th.

HOUSE OF COMMONS, ROOM 497,

THURSDAY, April 7, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Mr. R. B. Hanson, presiding.

The CHAIRMAN: Gentlemen, I understand that the Minister is very anxious to have the supplementary estimates for 1931-1932, which are now being distributed among you, aggregating \$2,242,478.83, of which \$161,568.53 is for the Canadian National (West Indies) Steamships, and the balance for the Maritimes Freight Rates Act, passed first, in order that it may be given assent in Parliament, without prejudice, however, to discussion on those particular items that may come up at a later stage. So, if it is the wish of the Committee, we might proceed on those two items and get them off the slate.

Mr. SMART (*Deputy Minister*): These are the supplementaries for 1931. In order to get a release of this money to apply on 1931 expenditures we are anxious to get those items through and report it to the House.

The CHAIRMAN: The officials of the Company are here, and, if anyone requires any explanation of those items, they will be glad to give it.

If not, it will be in order to pass those estimates.

Dr. McGIBBON: I move they be passed.

Hon. Mr. ROGERS: Before they are passed, I would like some explanation in regard to the two-million-dollar item.

The CHAIRMAN: This is the additional amount in excess of the item of six million already reported.

I may say that there is some objection in the Maritime Provinces to the lumping of these two items together. An article appeared in the *St. John Telegraph* recently about it. Those two items, I understand, cover the 20 per cent arranged for under the Maritime Freight Rates Act to reimburse the Canadian National Railways out of the public treasury, and also the loss on Eastern Lines.

Mr. SMART: That is correct.

The CHAIRMAN: If those two items could be severed, so that the record would be clear for the public, particularly that part of the public of Canada, I think it is advisable that it should be done.

Mr. SMART: The \$2,080,906 is the deficit. As a matter of fact the Maritime Freight Rates Act payments this year are \$565,000 below what your estimate was for them last year.

The CHAIRMAN: In other words the total vote of last year, under the Maritime Freight Rates Act of 1927, was \$2,450,632, whereas the actual requirements were \$1,885,000, or a saving of \$565,632.

Do you require any further explanation, Mr. Rogers?

Hon. Mr. ROGERS: No. I did not understand what it was about at all.

The CHAIRMAN: I suggest that this sheet be included in the Proceedings. It sets them out at some length.

Mr. FRASER: Is the reduction in traffic responsible for the increased deficit?

Mr. SMART: That is what caused the increase in the deficit, but it also has the other effect on the payments under the 20 per cent provision. We figured on more traffic last year than we actually had, therefore there is a saving in that amount, but an increase in the deficit on Railway operations.

The CHAIRMAN: Now, gentlemen, there has been referred to this committee, under the Order of Reference the accounts and estimates of the Canadian National Railways and Canadian Government Merchant Marine for the present session.

Mr. MCGIBBON: Before we go into that, Mr. Boys is here, I suggest that he give us a report—

The CHAIRMAN: Yes, there is in addition to that matters arising out of the report of this Committee of last year to the House of Commons, and the report which has been made by the Directorate as a result of some recommendations made in that report of last year.

It will be recalled that in the report of this committee last year, which was a unanimous report on the part of the members of the committee, and also passed unanimously, as I recall, by the House of Commons, certain recommendations were made to the Canadian National Railways. It might be just as well if the memory of the Committee were refreshed by stating what those were. On page 303 of the report of the committee last year, there appears the following specific reference to the Executive Committee:

In view of the decreased revenues of the Company, and the economies being made in other branches of the service, your Committee are of the opinion that the Executive Committee of the Board of Directors should immediately consider the whole question of salaries, allowances, disbursements, pensions, and retirement provisions for executive officers and officials of the Company receiving salaries of \$5,000 and over, in order that every reasonable and proper economy should be effected.

Your Committee recommend that immediate action be taken in these matters, and a report be made to the select standing committee on railways and shipping owned, operated and controlled by the Government at the next session of Parliament.

Your Committee strongly condemn the practice which has grown up under which the National Railways are chargeable with large amounts for payment for the social entertainment and other activities of officials on other than official business. Your Committee recommend that this practice should be discontinued forthwith. Expenditures for such purposes are, in the opinion of your Committee, wrong in principle and practice, and should never have been permitted.

When it is necessary in the interest of the business of the railway that monies should be expended chargeable to the Railway for entertainment, then it should be approved by the Executive Committee.

It was also stated:

It has also come to the knowledge of your Committee that the late Board of Directors in the year 1929 passed a resolution recommending the payment of an annuity of \$30,000 per annum for life to Sir Henry Thornton, if his services to the railway should at any time be terminated. Your Committee are of opinion that such resolution was unnecessary and should be rescinded forthwith. If later on the services of Sir Henry Thornton are discontinued and his contract terminated, the matter of a retiring allowance may then be discussed on its merits by the Directors and the Government.

Those I think are the specific recommendations of this committee to the House of Commons, which were passed along to the Executive Committee.

I hold in my hand a report dated 16th February, 1932, to the Minister of Railways, signed by a committee of the Directorate, Mr. Boys as Chairman, in which they make a Return, so to speak, to the recommendations of the Committee. This report has already been circulated among the members of the committee and is now open for discussion.

Mr. McGIBBON: I suggest that we ask Mr. Boys to come forward and we will take this up.

Mr. Boys: You will observe that the report is signed by every member of that committee. Two members of the Executive, the President, and Vice-President Ruel, being personally concerned in some matters, asked to be relieved and did not act. Tom Moore, who is not ordinarily a member of the Executive, was added to the Committee for this purpose, and the report as presented bears the signature of every member acting on that Committee.

We have dealt with the matters submitted in the following order: (1) The resolution providing for a retiring allowance of \$30,000; (2) Disbursements; (3) Salaries; (4) Allowances; (5) Pensions; (6) Economies.

As the report indicates, the resolution dealing with the retiring allowances has been rescinded.

With regard to disbursements, I do not suppose the Committee expect me in any way to review the payments of the past. All we were concerned with was to endeavour if possible to pass some regulations for future work which would prevent any expenditures, if there every were any, which would not be made. The report indicates what we have done in that connection.

Mr. McGIBBON: What were those expenditures in the past?

Mr. Boys: I may say that I have not been provided, as one of the Directors, with any statement indicating with any certainty the items that were submitted to the committee of last year. One can only deal with them from what you hear.

Mr. McGIBBON: I might tell you that we got from the Committee last year for 1930, for meals, hotels, sleeping cars, etc., an expenditure of \$1,952,189.

Mr. Boys: I may say the first time I ever saw that was when you were kind enough to send it to me a couple of weeks ago. I had no definite knowledge of just what was before the committee. I did understand, however, that there was an item of that kind, also that there was some reference to club dues, etc.

As you will see from the report:—

With regard to payments heretofore made for travelling, hotel, and other expenses, we are of opinion that there has been some misconception in this connection, but, without enlarging thereon, it is in order to mention that we have recently inaugurated a method of dealing with the same, whereby the officers of the Company are required to pay their expenses in the first instance, and render an account therefor, and reimbursement is not made until the vice-president in charge of finance examines and recommends payment of the same.

We went a step further in that connection. We were given to understand that the vice-president in charge of finance has no right to sit in judgment upon accounts which bear the signature of officers holding as high a position as himself. We therefore made a further provision:—

A further provision has been made which requires the vice-president in charge of finance to report to the chairman of the finance committee, for its consideration, any item in any expense account to which he may take exception.

That is the method that has been adopted at the present time. It is our belief that the expenditure will be completely safeguarded by that method.

Mr. McGIBBON: Can you give us any idea of the saving on this account.

Mr. Boys: That raises, I suppose, the question so often discussed in committees and in Parliament, as to the extent that information dealing with matters of that kind should be given to the public. I am in the hands of the committee. Personally I have nothing whatever to keep back, except what I might think should be kept back in the interest of the Canadian National Railways. I have been given to understand that the information which Dr. McGibbon has referred to was given in confidence last year.

Mr. McGIBBON: Was not. I dispute that. It was not given in confidence. It was ruled by the Chairman publicly that we should get this information, and we got it. The ruling was never over-ruled.

Mr. Boys: I may say that, anticipating some such question, I took the precaution to find out what was being done during the last five months. If that information was given last year, and there is no confidence about it, and it is part of the Journals of the House, and it is the desire of the committee to go into the matter, I presume I have no course to take but to answer the questions put.

The CHAIRMAN: I may observe that there is no doubt about Dr. McGibbon's statement that the Chairman ruled that this information should go before the committee. But it is also true that it was not published.

Mr. McGIBBON: Quite true.

The CHAIRMAN: The matter is in the hands of the committee. As far as I am concerned I do not see why there should not be any publicity relating to any matter concerning the Canadian National Railways.

Mr. McGIBBON: I am going to move that Mr. Boys get us a photostat of that account for the twelve months. It is easily got, it is a loose-leaf ledger, I presume. I think the committee at least ought to know the details of that. Until we get that we cannot judge the account properly. It looks to me an enormous bill, almost two million dollars for meals, berths, etc., especially when you consider that the officials I presume all travel on passes and have a frank for telegrams, etc. It may be all right, I am not disputing it. If I can get a seconder?

Sir HENRY THORNTON: May I say a word in answer to Mr. McGibbon? No officers hold sleeping-car passes, they pay their fares on the pullmans and sleeping cars, and pay for their meals in the dining cars and at all hotels of the company.

The CHAIRMAN: Would you go a little further, Sir Henry? Would you tell the committee, with such detail as you can summon to your memory, what the practice was before the report of the committee, and what is now the practice with respect to this rather vexed question?

Sir HENRY THORNTON: Briefly, officers travelling on company business filed an expense account monthly; that was scrutinized by the supervising officials and certified to by the Department head, and was then passed for payment. In the event of there being any item which the auditing department thought improper, it was brought to my attention, and that resulted in subsequent conversations with the head of the Department involved. In some cases the item was accepted, in some cases eliminated. I think in almost every case it is fair to say that there was found to be good reason for the inclusion of the item.

That was the practice in the past.

My recollection is that the average expense account per person was somewhere between \$35 and \$40 per month.

As Mr. Boys has outlined, additional safeguards have been provided, in that the auditing department, under the direction of the financial vice-president,

scrutinizes these accounts, and if there is anything to which they object that goes to the finance committee for consideration and final approval.

That seems to provide every reasonable safeguard.

I might say in connection with the whole situation that a railway is different from a manufacturing plant, in that most of its officers are required to cover considerable distances, and if they are to exercise properly their responsibilities, they have got to be on the road a fair proportion of the time. In fact I know there are certain railroads which insist upon officers being on the road a certain proportion of the time, on the theory that it is on the road where things are happening, and that is the place where they should be if they are to administer properly the affairs of the company and scrutinize its activities.

In a manufacturing plant, which is of relatively small compass as compared with a railway, there is no such condition, and officers and others can go about the plant in a relatively short time. But the very nature of a railroad necessitates a considerable degree of travelling on the part of train masters, superintendents, and others engaged in administering the affairs of the company.

That I think is about all I can say on the general subject.

Hon. Mr. MANION: Might it not be well, in view of the figure Dr. McGibbon has given from memory, to give a few of the larger items, so that the committee would understand of what that amount is made up?

The CHAIRMAN: Or have you any one here familiar with it?

Mr. McGIBBON: I can give them if you wish. For meals, \$844,000 odd. Hotels and lodging \$395,396. Sleeping cars \$133,130. Railway fares \$10,724. Telegrams \$12,585. Other expenses, which are not detailed, \$566,166. Total, \$1,952,189. Almost two million dollars expense accounts from a railway that is in red ink from an operating standpoint. That is for the year 1930.

Mr. MACMILLAN: How many people were involved in that expenditure?

Sir HENRY THORNTON: May I hesitate before I answer that? Meanwhile, a large proportion of the amount mentioned by Dr. McGibbon was returned to the company. Sleeping car fares, telegraph bills and hotel bills where they use our own hotels, all come back to the company.

Now, as to Mr. MacMillan's question—

Mr. FAIRWEATHER: The average number is about 3,500 individuals.

Mr. McGIBBON: We are not disputing the correctness of the account. What I want to know is if this should properly be charged to the Canadian National Railways, or if private individuals should have paid their own.

Sir HENRY THORNTON: As I said, the very nature of a railway's business requires its officers to be away from home travelling considerably. You cannot expect, nor is it the practice in the railway world anywhere to expect officers who are travelling on company business to pay their own expenses. Nor is that the practice in the field of industry generally. It is not the practice.

Mr. McGIBBON: I have no doubt some of it is legitimate, but it does seem an ungodly lot of money for that sort of thing.

Sir HENRY THORNTON: When you take into consideration the fact that it averages something like \$35 per person per month, or a little over a dollar a day, and compare that with the gross revenue of the company, or even the expense of the company, the percentage is small.

Mr. McGIBBON: Do not these people travel on passes?

Sir HENRY THORNTON: The officers travel on passes, but they have no sleeping car passes.

Mr. McGIBBON: And do they not have franks for telegrams?

Sir HENRY THORNTON: There are no express franks. There are some telegraph franks. I could not answer off-hand how many. Frequently officers in the traffic department who are off our lines are obliged to telegraph to their own offices and to headquarters, and in many cases are obliged to pay for those telegrams. As far as I am able to judge from what I have found out and from my general knowledge of the railway business, the practice followed by the Canadian National is precisely that followed by every railway on the North American continent.

Mr. McGIBBON: It was the practice of charging \$100,000 club dues, wasn't it?

Sir HENRY THORNTON: No, the amount was materially less than that.

Mr. McGIBBON: \$100,000 you gave us last year yourself.

Sir HENRY THORNTON: Perhaps Mr. Fairweather will answer the question.

Mr. FAIRWEATHER: I am afraid Dr. McGibbon has not treated the figures given to the committee last year in the light of recurring expense. It is true the statement was furnished to the committee last year.

Mr. McGIBBON: And that was the amount.

Mr. FAIRWEATHER: The amount shown there was divisible between non-recurring items, which would be incurred only once, the purchase of stock or entrance fees, and the recurring items which would currently go on attached to the membership. The recurring items never amounted to anything like \$100,000.

The CHAIRMAN: But the entrance fees and the annual fees did come to the figure you gave?

Mr. FAIRWEATHER: But to say it amounted to \$100,000 a year is a total misstatement.

The CHAIRMAN: He did not say that, he said \$100,000 for last year, as I understood.

An Hon. MEMBER: That has been discontinued, hasn't it?

The CHAIRMAN: What is the situation in regard to that?

Mr. BOYS: I may say I have no knowledge myself of what the club dues were in the past. We have dealt with that ourselves. There was presented to the committee for consideration club dues for this year amounting to \$10,000. We dealt with that and decided that no club dues whatever were going to be paid in the future, except in special cases which were to be brought before the Executive Committee and passed on by them.

Mr. McGIBBON: Was that \$10,000 presented by one or two individuals, or is that the gross?

Mr. BOYS: That is the entire amount suggested for club dues for this year.

Mr. McGIBBON: Would that include every official?

Mr. BOYS: As far as I know.

Sir HENRY THORNTON: I can answer that. It did.

Mr. MACMILLAN: What is the amount of these club dues for the year prior to the one we have in the return?

Mr. FAIRWEATHER: I have no information.

The CHAIRMAN: Is it fair to say that there was a progressive increase in this item up to 1930?

Mr. BOYS: Well it is cured for the future; I suppose that is the main thing.

Mr. MACMILLAN: You said \$35 was the average expense of these different men on company business?

Sir HENRY THORNTON: That is a rough approximation.

Mr. MACMILLAN: You also said there were 3,500 people who spent that money. That comes to over \$50 per month.

An Hon. MEMBER: No, it only figures \$25 per month.

Sir HENRY THORNTON: I was speaking from memory, I said I thought the average was in the neighbourhood of \$35 a month.

Mr. FAIRWEATHER: \$36.30.

Sir HENRY THORNTON: In answer to another question I said that represented—

Mr. FAIRWEATHER: About 43,000 accounts. You divide that by 12 and you get the average per month.

Mr. MCGIBBON: If some one will second my motion?

The CHAIRMAN: I am informed by the clerk that we do not need a seconder.

The motion is: That the Canadian National Railways be asked to provide photostats of the account in question for the year 1930.

Hon. Mr. EULER: I do not desire to be placed in the position of one who wishes to hide anything that should come before this Committee. This item in question of \$2,000,000 brought up by Mr. McGibbon sounds like a large item, perhaps it is in itself. But we are not discussing the merits of that particularly, except to say that in a business aggregating over two billion dollars capital investment, perhaps it is not so very large. But that is not the point particularly. The point is the extent to which this committee desires to give publicity to certain facts which after all are subject to the scrutiny of the Board of the railway company. I take it that the members of the committee, and the House, and the country, have some degree of confidence in the managing committee of which Mr. Boys is a member. I have, although they were perhaps appointed from those who are not in political sympathy with some of us. That does not affect me at all, I have a good deal of confidence in that Board.

The point I desire to make is, whether it is the duty of this committee to go into little details in connection with the management of the railways, or whether we could fairly leave that to the judgment and scrutiny of the Board that is appointed to conduct the operation of this railway. To my mind the latter is the proper course. This committee certainly has a duty to perform in making a general survey of the whole situation, perhaps dealing with matters of policy upon which they may make a recommendation to the Government. But I submit that we are going farther than we should when we inquire into small, intimate details of the conduct of this railway. I may be wrong, but I submit it can hardly be in the interests of the railway itself, and in that way the interests of the country as far as the National Railways are concerned, for this committee to delve into little items of expenditure, which may be published far and wide and tend to destroy confidence in the National Railway.

I take it that every one of us, whether we are opposed to or in favour of public ownership, certainly does not desire to do anything that would injure the railway, yet that result will assuredly follow if we destroy confidence in it.

The whole point that I desire to make is that the members of the committee should decide whether we are doing what is in the best interests of the road by inquiring into little details which come, I think, more properly under the purview of the Board of Directors appointed by the Government.

Mr. MCGIBBON: I do not consider two million dollars a little item. The people want to know whether these things are legitimate or not. I do not dispute that the two million was spent, but it is a large amount to be spent by officers of the company, and there is a lot of doubt in the country whether it was spent by the officers, and the only way we can clear it up is to get the details.

The CHAIRMAN: Gentlemen, there is a matter of principle involved. What is the wish of the committee? I am entirely in the hands of the committee. The motion I think is quite in order, under the order of reference. That is the only thing I have to rule on.

Mr. BEAUBIEN: If it is a matter of principle, should you not decide that yourself?

The CHAIRMAN: No, that is a matter of policy of this committee. All I am called upon to decide is whether the resolution is regularly before the committee. You have to shoulder your share of the responsibility.

Mr. BEAUBIEN: We have a board of directors of this railway. No doubt the Government before appointing them looked into their qualifications. I think it is a wrong policy to delve into these little details of expenditure, even if they aggregate two million dollars. About \$30 a month per person is not a very large amount. If this committee is here to destroy the confidence the people have in the railway, it is adopting the best method I know of to do so if they are going to dig into all this expenditure, when we have a board of directors which can do that.

There is enough discontent in the country to-day created by propaganda against public ownership. I am not married to public ownership, but we have this railway on our hands, and surely we are not going to try to discredit the management of the board of directors by delving into these items which to my mind are quite legitimate. You cannot expect a railway official, when he goes out on the company's business, to travel in a box-car or to stay in a boarding house. Surely these expenses are legitimate, and surely railway officials are entitled to travel in the proper way.

Mr. MCGIBBON: Who is disputing that?

Mr. BEAUBIEN: You have had your say, let me have mine.

Mr. MCGIBBON: You are misrepresenting the thing.

Mr. BEAUBIEN: The point I want to make is, if we insinuate that these railway officials have been squandering this money, as the inference will be drawn, especially with the feeling that prevails to-day to a certain extent with regard to the load borne by the country in respect to Canadian National Railways, I think it is wrong, am strongly against it, and I hope this committee will not endorse that motion.

Hon. Mr. EULER: Might I ask of Sir Henry or Mr. Boys, what his own opinion is as to the advisability of giving publicly this detailed information? Is it in the interest of the Railway, or is it not?

Mr. Boys: My own view is,—I am not speaking of this particular item, but various matters that might be before this committee—that it is not in the interest of the railway company that they should be broadcast throughout Canada. I may be wrong, but that is my view.

I would like to say that I never stop myself to consider the expenditures of the past, but since I have got some information for the last five months, I have tried in any way I could,—and it is a very difficult task to be sure of these things—to reach a conclusion myself as to this matter, having in view the magnitude of the work, and the number of officials, the expense account, which I may say is less now than it was, in keeping with the general economies, for which the management deserves credit. I am going to be personal, and say that in my own business, a country law office, my personal expenses in my office for myself and son run \$200 to \$300 a year. Suppose you take a thousand law offices, multiply that, and you have a quarter of a million dollars a year. I am speaking of actual personal expense.

Mr. McGIBBON: If I might get back to what I stated; I am not disputing this thing, but I say we do not know a thing about it until we get the detail. What is the use of sitting here, unless we know? Here is an item that appears enormous. It may be all right; if, when we get the return, it is all right there is no harm done. If it is not, our business is to correct it.

Mr. GRAY: There is something in what Mr. McGibbon says, and while last year all of us did not agree as to some of the things he brought before this committee, I think he is deserving of considerable credit for bringing up these questions. At that time it was stated by the Minister, and we all agreed that the directors had been but recently appointed by the Government, and had not had time to go into the matter as carefully as they would later, and we called the attention of the directors to various things.

The directors have followed that up by the report given by Mr. Boys to-day, and have largely acted upon the recommendations of the committee.

I think, rather than go into the details of these items as Dr. McGibbon suggests, it is the duty of the committee to point out generally to the directors matters of principle rather than deal with intimate small details. Then if the directors do not follow these principles that we suggest to them, it is up to us to review what the directors are doing and perhaps to recommend to the minister and to the Government that these directors be removed. But if we cannot have confidence in the management and directors of the company, then I cannot see how we can go on with the Canadian National Railway System.

I agree with what Mr. Euler and Mr. Beaubien said. I think in a matter of this kind we can safely leave it to the directors and the management, who apparently are doing their duty in trying to look after the matter.

Sir HENRY THORNTON: My view is precisely the same as that expressed by Mr. Boys.

A moment ago Dr. McGibbon made a statement which I think I am obliged, in the interest of the officers of the company, to comment upon. He made the statement that there was some doubt—so I understood his statement—as to whether the amounts disbursed by the company for expenses were actually so disbursed.

Mr. McGIBBON: Quite true, I have heard that disputed.

Sir HENRY THORNTON: The inference being that the officers were knocking down part of their expense accounts and putting them in their pockets?

Mr. McGIBBON: No, not necessarily. There might have been other accounts charged up. For instance their family accounts might have been charged up. I am not saying they were.

Sir HENRY THORNTON: That is the same thing. I simply want to make this statement, and I am now speaking on behalf of the officers of the company. I have had more than 30 years experience on various railroads in three different countries. I can say without hesitation that I know of no railway company in any country which is officered by men who are more honest, more capable, more loyal, more enthusiastic, and more moved by patriotic endeavour than the officers of the Canadian National. These officers cherish their honour as any one of you gentlemen would. And I can say without hesitation that there is not an officer of the company who is pursuing any other course with respect to his expenses than that which is entirely honourable. And on behalf of the officers of the company, I must challenge any statement which reflects upon their honour and loyalty.

Mr. McGIBBON: I object strongly to your putting words in my mouth. I did not say such a thing. I said I heard it, and I have heard it. I did not say it was true, I do not think it is. But if we get the details we will know. I do not see why you are trying to hide behind it.

Sir HENRY THORNTON: I am not trying to hide behind anything.

Mr. BOYS: I want to say that so far as I am concerned, I am in the hands of the committee. I do not think any figures that could be given by me regarding the last five months would be a reflection on anybody. As far as I am able to judge, they are justified, and if it is the wish of the committee to have them I have got them, for the last five months.

But I still adhere to what I said, that as for broadcasting it—if you are going to do it in this item you will do it with other items, I do not think that is desirable.

Mr. BEAUBIEN: May I ask Mr. Boys or Sir Henry this question: Is it not so that all the expense accounts of officials of the Canadian National Railway are audited by the auditing department of the railway and also by the auditors of the Government?

Mr. BOYS: Certainly, and under the system obtaining of late, as I explained, all these accounts have to be paid by the employees in the first instance, and details have to be rendered before reimbursement takes place. It is all scrutinized by the vice-president in charge of finance, and if he is not satisfied he has the right to appeal to the finance committee composed of the President, Mr. Ruel and the Deputy Minister.

Mr. MCGIBBON: When was that started?

Mr. BOYS: Since you requested us, within the year.

Mr. BEAUBIEN: In that case any expense account which was not justified, surely the auditors, or the auditing department of the railway know something about these accounts, having dealt with them for many years, surely there cannot be anything wrong in the expenses of the officials if they are checked to the extent you say.

Mr. BOYS: I say, as far as the directors are concerned, these do not come before us. As certain figures have been given, let me take one item: meals \$70,000. You gentlemen all understand that we directors could not possibly go into that. And I do not see how this committee could. It involves hundreds of accounts; you would be sitting all year.

Mr. BEAUBIEN: And it is not exorbitant, when you pay 30 cents for a potato in a railway dining car, when you could not sell them for 50 cents a bushel.

Mr. MCGIBBON: What is the saving this year compared with last?

Sir HENRY THORNTON: First may I answer the question as to the practice prior to the policy of having the finance vice-president refer expense items to which he took exception to the finance committee? The practice prior to that was this; if the auditing department as represented by the vice-president in charge of finance found any item in any expense account which in their judgment seemed exorbitant or improper, it was brought to my personal attention, and I took the matter up immediately with the head of the department involved and asked for an explanation. In some cases items were excluded as being improper; in other cases the explanation was satisfactory and the item accepted.

The present practice is that any item which the vice-president in charge of finance questions goes to the finance committee, instead of to myself personally.

Mr. MCGIBBON: I would ask Mr. Boys for those figures. He has them.

The CHAIRMAN: I see no objection to Mr. Boys giving the gross figures for 1931.

Mr. BOYS: What I was asked for were the figures for the last five months, since the variation in method.

Mr. GRAY: Why not give the gross figures?

Mr. FAIRWEATHER: The gross expenses incurred in 1930 on travel on the company's business officially was after making deduction for items that recurred back to the railway company or refunds made by foreign railways. It shows a decrease in 1931 of \$336,000.

Mr. BEAUBIEN: Do you attribute that to the changed methods as indicated, or is it because of decreased business of the railway?

Mr. FAIRWEATHER: Speaking in my capacity as director of the Bureau of Economics, if I had seen the figures as relating to another railway, in view of the decrease in traffic and the urgent need of reducing expenses, no matter where they might occur, to an absolute minimum, I should have said that reduction would represent what an intelligent administration might have been expected to effect.

I may say further that Sir Henry is a rather hard task master in this matter of general supervision. He has me continually making comparative studies between the supervisory expenses of the Canadian National and other systems, and of our relative standard of performance. As a matter of fact, we stand out very well as compared with the classic standard of comparison, the class 1 roads of the United States, on matters of this kind.

That is what I would say, that that reduction, if I were looking at the accounts of another railway company, would represent what an administration keenly desirous of economising, in view of the decrease in traffic, should accomplish. It is, I would say, a very good job.

The CHAIRMAN: In other words, you say it is due to the decrease in business?

Mr. FAIRWEATHER: Not entirely. And to the desire to effect economies wherever you can. I know in my own department that when the full effect of the depression became apparent I issued instructions to every one of my subordinates to curtail travelling expenses to the minimum. I personally saw to it that travelling was reduced to a minimum, that business which might ordinarily be more efficiently transacted by going perhaps to Toronto would be transacted by letter or by telephone. It took a little longer, and the information perhaps was not quite as completely understood, but it saved money.

Hon. Mr. EULER: Would you say the reductions you have made are pretty well proportionate to the reductions made in other branches of business?

Mr. FAIRWEATHER: Yes, sir.

Sir HENRY THORNTON: In that connection I might say that progressively since the depression appeared in the autumn of 1929 there has been increased pressure on all departments and all officers to economise as much as possible. And this committee will be aware of the system of budgetting which I attempted to explain to the committee in some detail. That system has been going on and has been progressively pursued, and the spirit of the whole organization to-day, and of every officer, is characterized by the desire to economize wherever possible.

Mr. MCGIBBON: You realize that the people of Canada have to put their hands in their pockets pretty heavily for this road?

Sir HENRY THORNTON: Well that involves a great many questions. There is no doubt that if, within the last twenty-five years, we had contemplated such a condition as exists to-day, a great deal less mileage would have been built; a good many things that have been done would not have been done; and a good many other things would have been done differently. That is true not only of our railroad, it is true of the Canadian Pacific and of almost every business enterprise.

Mr. McGIBBON: But there is no comparison between the Canadian Pacific and this railway. The Canadian Pacific is paying its way, and this railway is in the red in operating.

Sir HENRY THORNTON: You have to remember that a large percentage of the mileage of the Canadian National was authorized and built partly by private ownership, partly by government support, for the purpose of developing the country. A large percentage of our mileage is still development mileage, has been built for the purpose of opening up parts of the country in anticipation of settlement. The settlement and the traffic ensuing therefrom have not yet grown up to the railway mileage.

That is a burden which every country has upon it. The United States had precisely that same problem in the railways constructed after the Civil War for the purpose of developing the country west of the Mississippi.

Mr. McGIBBON: But that is counterbalanced as far as the Canadian National is concerned by the fact that they never paid anything on the money furnished by the government.

The CHAIRMAN: Well, the discussion has got far afield. We have had a very general discussion on the principle involved, that the committee might come to some decision on this specific point.

Mr. BEAUBIEN: Your opinion is that it would not be in the interest of the railway company to give out the information for which Dr. McGibbon has asked:

Mr. BOYS: Generally speaking, I think that is right.

Mr. BEAUBIEN: Are you expressing the opinion of the directorate?

Mr. BOYS: No, I have not discussed this with the directorate. That is my personal view.

Mr. BEAUBIEN: Suppose this question of giving this information to the public went before the Board of Directors, do you not feel fairly certain yourself that they would advise against it?

Mr. BOYS: I would not want to venture that opinion, for I have not asked the Board of Directors their view regarding this.

Mr. BEAUBIEN: But in all business administrations, whether railway or not, I think the Board of Directors would come to that conclusion, wouldn't they?

Mr. BOYS: I am inclined to think so, yes.

Mr. BEAUBIEN: Then if we have this Board of Directors, and one of the leading men in that Board here to-day expresses that opinion, that in a business or a railway or a publicly owned business it is detrimental to give out such information, should we not accept his view? Surely they were appointed by a good government, surely the Minister of Railways is business man enough to appoint the best men he could find. I think we can very well leave the matter in their hands.

The CHAIRMAN: Dr. McGibbon, is it your desire to have a photostat copy of every account making up this huge total, or a photostat copy of just the general statement which you have?

Mr. McGIBBON: A general statement is no good.

The CHAIRMAN: I am informed it would make about a freight car load of material.

Mr. McGIBBON: Well I will compromise, if you give me two months. Give me August and December.

Mr. GRAY: Let us decide the principle.

Mr. STEWART: I want to draw attention to one word in the report of the committee last year, which was sent to the officials. On page 1 of that report you find this:

Your Committee strongly condemn the practise which has grown up under which the National Railways are chargeable with large amounts for payment for the social entertainment and other activities of officials on other than official business.

It is the words "other than" that bother me. I think this House and the country should know what is being charged by officials of the railway when they are on some other business than railway business.

Sir HENRY THORNTON: There is no such item.

Mr. STEWART: Well it is here.

The CHAIRMAN: If my memory serves me right, I think that refers to this question of club dues and social entertainment. I understand that has been cut out. Mr. Boys has made a very specific statement on that. What has been done is done; it is the future we are more particularly concerned about. However I do not wish to be taken as trying to direct the vote of the Committee in any degree on this matter of principle.

The CHAIRMAN: Inasmuch as the vote is even, I think it is my duty to vote against the motion, and I do so.

The next item is that of salaries.

Mr. BOYS: As you see, gentlemen, there has been a 10 per cent cut, effective last July. It affected 828 officers, to the extent of \$545,652.

Mr. MCGIBBON: Is that a cut, or a temporary reduction?

Mr. BOYS: It is a cut that is in effect now, it will have to be renewed when the time is up.

Mr. MCGIBBON: Has there been any revision of salaries?

Mr. BOYS: It is just effective for the time being.

Mr. MCGIBBON: I am not talking about that, I am talking about the list of salaries, starting at \$35,000 down. Bigger than the Prime Minister of Canada.

Mr. BOYS: I will come to that in a minute. The next item is the half-day lay off affecting 11,668 officers and clerks, making a total of \$1,676,902.

There have been retirements and dismissals totalling 4,574 officers and clerks.

In addition to that a special committee has been appointed to deal with the question of salaries. When we first gave the matter consideration the question was how it should be done. Rightly or wrongly we came to the conclusion that it would be undesirable to make a horizontal cut affecting everyone, beyond the 10 per cent cut referred to; and that these officers would have to be dealt with individually. The need for them and the remuneration they were getting would have to be considered. The magnitude of that task becomes apparent to anyone who stops to consider, and I think you will agree that as directors, meeting once a month, and as an executive committee meeting on perhaps two other occasions in the month, it would be out of the question for the directors to go into all those salary accounts.

We had every vice-president before us. We impressed upon them the necessity of doing everything possible, and I believe a great deal has been done. But the last word has not been said yet, and that committee is at work now.

There is one other feature that enters into the consideration, that is the Royal Commission. I felt that it is possible that when that report is presented some recommendation might be made which would require more of this work, and as far as I was personally concerned I felt that it might be well to wait until that report was presented to the House before the matter was dealt with in a final and comprehensive manner.

But this committee is at work, and the question of individual salaries will be dealt with from time to time.

Mr. McGIBBON: You are not following the recommendation of the committee, then?

Mr. BOYS: I think to some extent we have. Perhaps not fully. The 10 per cent cut is something, surely.

Mr. McGIBBON: The committee recommended that there be a revision of salaries.

Mr. BOYS: Speaking for myself I say it would be absolutely impossible for the directors to do that work.

The CHAIRMAN: I might call the attention of the committee to the exact wording of the recommendation. It is:

that the Executive Committee of the Board of Directors should immediately consider the whole question of salaries, allowances, disbursements, pensions, and retirement provisions for executive officers and officials of the company receiving salaries of \$5,000 and over, in order that every reasonable and proper economy should be effected.

The word used is "consider".

Mr. BOYS: We certainly did consider it, we had every vice-president before us and spent considerable time with each of them discussing their department and what could be done. But the work is not finished.

Mr. DUFF: Did they also deal with the expenses and salaries of the Canadian National Steamships, Government Merchant Marine? I notice on page 6, Government Merchant Marine \$153,180, then on page 16 in connection with Canadian National Steamships there is Management and Office Salaries \$175,000. They may be all right, but it seems to me that those two amounts together, making \$330,000 is a pretty large item for salaries and management in connection with those two steamship lines. Did you go into it?

Mr. BOYS: The individual salary list has not been considered. We have considered it up to date only in the way I have indicated.

The CHAIRMAN: In the Canadian Government Merchant Marine there is a substantial reduction in the item, some \$35,000. But the other, the West Indies line, the thing is practically stationary, a reduction of about \$3,000.

Mr. McGIBBON: To supplement your quotation, it also said that the Committee was of the opinion that many of the salaries are much too generous, and in some instances excessive. That is what I had reference to. In my opinion they are excessive in view of the condition of the road.

Mr. BOYS: There are only two ways I can think of to deal with it; one a horizontal cut, the other by taking each individual case and analyzing it. That will take quite a long time.

Mr. McGIBBON: What is the objection to a horizontal cut? Everyone is taking it.

Mr. BOYS: Well it has been taken here to the extent of 10 per cent. That may not be considered enough. There are also 4,574 officers and clerks who have been retired or dismissed.

The CHAIRMAN: This report states that there has been an annual saving on salaries of \$4,000 and over, by reason I take it of the horizontal cut, of \$454,652. Does that saving include the saving effected by reason of men being retired, or is that a straight 10 per cent cut?

Mr. BOYS: That is a straight cut affecting the officers and clerks.

The CHAIRMAN: That means that before that cut was made, the cost of salaries of officials of Canadian National Railways was nearly five and one-half million dollars, on a gross operating revenue of 150 million. You can see for

yourself it is a very large ratio. On 300 million of course, it is just half, as they had it in 1928. But it occurs to me that there is a great deal of food for thought for this committee in those figures, if I am anywhere near right. I throw out that suggestion.

Mr. Boys: You will note the last paragraph dealing with this feature:

It may be added that the average salary paid to officers and officials of our chief competitor is now almost identical with our own.

I must ask you to take the word of the members of the committee for that. We are not in position to make public all the information we have received in that connection, but that statement is made carefully.

The CHAIRMAN: I understand you now to say that the average salary is about the same as that of your chief competitor?

Mr. Boys: Yes.

The CHAIRMAN: May I ask if the number of officers receiving \$10,000 and over on the National is not considerably larger than the number employed with your chief competitor?

Mr. Boys: It is, and that opens up another question, and I am afraid I cannot supply the committee with all the information necessary to determine that. The mileage that the Canadian Pacific have in Canada is 15,510. The mileage of the Canadian National is 23,767, I understand, I cannot be positive, but I believe it myself, that in any figures you can get in relation to the Canadian Pacific they do not embrace the lines over which the Canadian Pacific have running rights under lease, or by control of the stock. They are separate companies and are not included, and the list of officials would not include officials of those lines, whereas ours does for every single branch system, Central Vermont and Grand Trunk Western.

The CHAIRMAN: How much difference would that make?

Mr. Boys: You can only estimate by taking the mileage. The mileage in Canada of branches of the Canadian Pacific covered by what I have said is 1,282, in the United States 5,192. Add those to the other total, it makes 21,984. If one could with any degree of accuracy take those figures and work out the result proportionately, you would have a very considerable increase in the number of C.P.R. officials.

Mr. McGIBBON: But the officials have no direct relationship to the mileage. Officials are chiefly in the large cities; there are no officials up on the back lines.

Mr. Boys: It is perhaps not an absolutely controlling feature, but it is an important feature. But what I am saying is, they are an absolutely separate organization in the United States, connected with the C.P.R., not included in any figures you can get. If you want to have a comparative statement you have to exclude officials on the Canadian National having to do with the Grand Trunk Western and the Central Vermont, and then make further allowance for the difference in mileage.

Hon. Mr. EULER: There are only two divisions in Canada on the C.P.R., while the National have three.

Mr. Boys: Yes. I intended, if the committee is not too tired, to make reference to some of those features. These are matters I have worked out myself from a layman's angle. Remember we have been in office a little over a year. None of us is a railway man; it takes time to acquire knowledge of these matters. We have been doing our best. I would like to say a word or two along the line that has been mentioned before I finish.

Mr. McGIBBON: We are not making any objection or complaint about you. But to my mind the outstanding thing is that this National Railway is likely to bankrupt the country. It is our duty to make economies wherever we can

make them. I drew Sir Henry's attention last year to the fact that this country was putting 100 million dollars into these railways every year, I asked him how long we could do this. His reply was: Five years and we are bust!

Mr. BOYS: There is not a member of the Directorate as far as I know who is not doing everything in his power to practise economy, and I think a great deal has been accomplished.

Mr. MCGIBBON: I do not doubt you. I am giving the reason for our interest in this problem.

The CHAIRMAN: I have taken some trouble to get information on this point. I am informed that the National, at the time the statement was made, had 96 officers receiving \$10,000 and over, whereas the Canadian Pacific had only 53.

I am further informed on very good authority, which I will not name, that the Canadian Pacific deny absolutely the statement that Mr. Boys has now made to the committee that their costs on this account are comparable with the Canadian National. They claim that they are away under.

Mr. MCGIBBON: That is what I have heard too.

Mr. STEWART: Could not we have a meeting of this committee more or less secret, and have an official of the Canadian Pacific Railway come here and give that information?

The CHAIRMAN: That is up to the committee.

Mr. STEWART: I suggest that a communication be sent to the Canadian Pacific asking if they are willing.

An hon. MEMBER: Have we authority?

Mr. STEWART: I say invite them, that is all. There is a statement made regarding the Canadian Pacific Railway, they should have opportunity either to confirm or refuse it.

Mr. HACKETT: I am not a member of the Committee, but if I may make a suggestion, why take the Canadian Pacific Railway as a standard? The Canadian Pacific Railway has not experienced the financial difficulties that the Canadian National has. Should we take a road which is apparently paying its way as a standard for salary disbursements? I submit that the test is entirely improper.

The CHAIRMAN: That may be debatable, but the point at issue is the overhead of the Canadian National Railways. I suppose comparisons are inevitable.

Mr. MCGIBBON: There is only one other road in Canada.

The CHAIRMAN: Mr. Boys, have you anything further to add?

Mr. CANTLEY: Can Mr. Boys give us a memorandum showing the number of officials receiving over \$5,000 a year who have been let out? Or rather the difference between that list in 1930 and 1931, and what the saving is.

Mr. BOYS: I cannot offhand. I have given the total number who have been retired, but I have not separated in the way you have indicated. The total number dismissed or retired is 4,575, that is clerks and—

The CHAIRMAN: All outside of the running trades?

Mr. BOYS: Yes. I do not think it included train men.

The CHAIRMAN: Does it include the running trades or members of trade unions, such as shop men?

Mr. FAIRWEATHER: No. Permanent positions.

Mr. BOYS: Clerks and all receiving definite salaries.

Mr. MCGIBBON: They must have been grossly overstaffed before.

An hon. MEMBER: Could the officials of the road give the number of officials receiving over \$5,000 who have been let out?

The CHAIRMAN: Perhaps not to-day, but probably at a later session.

Sir HENRY THORNTON: We can give it exactly later on.

The CHAIRMAN: Let us have it later. It is no use guessing.

Now, shall we pursue this matter any further, or go to something else?

Mr. BOYS: One other feature I think should receive some attention, that is under the head of "economies":

The work of the management, in which the directors have certainly supported them, indicates that economies that have been made effective for the year 1931 effected a saving of \$13,064,300, and in the year 1932, even if there are no further increases in economy, will reflect \$15,042,281.

That is the balance as it were, because only part is relative to 1931, but take the full year, by taking part of 1931 and part of 1932, and the total is \$28,106,681.

Mr. MCGIBBON: Is not that largely wages and coal?

Mr. BOYS: The items can all be given. No doubt the wage list makes a very considerable amount.

Mr. MCGIBBON: And you must remember that people are getting very poor service from the National Railway.

Mr. BOYS: I will not say that. I am holding no brief for the Canadian National, I am merely giving facts and figures—

The CHAIRMAN: I would like to express my opinion. I think the people of Canada are getting service from the National railway in proportion to the support they are giving it.

Mr. MACMILLAN: I think they are getting very good service on the National.

The CHAIRMAN: I think they are, having regard to the times. There is no doubt that service has been cut, of necessity.

Mr. MCGIBBON: I am not disputing that, but a man told me the other day that a year ago they had four trains a day at his place, now they get four a week.

The CHAIRMAN: That may be true. But I venture to say this, that you will find that the complaints against the cutting down of service come from men who themselves do not use the service; they will travel to your office to make these complaints by automobile. I have had that happen.

Mr. MACMILLAN: There was a deputation came to Ottawa to complain to the Minister, and they all drove here in motor cars.

The CHAIRMAN: I would like it understood definitely throughout the country that I am not complaining of the cutting of service on any of the railways. In these times we cannot afford to keep up the passenger service we have had, because the people are not supporting it, especially in the summer.

Hon. Mr. MANION: May I say a word in that regard? One of the great troubles with the whole railway question throughout the country, on all railways, is that we have been giving too luxurious and too great service, and that that luxurious and extra service has got to be cut out, to get the roads back to earth. In other words we have been, with the railways, as with a great many other branches of our life, living beyond our means. I think it is important that the people generally should know that.

Mr. MCGIBBON: They have let a lot of the business get away. I was in a town east of Toronto a few weeks ago and five buses went to the city, all loaded, and only one National train and only one C.P.R. in the day time.

Sir HENRY THORNTON: I would like you to hear a statement Mr. Fairweather will give in regard to the money being spent on highways and automobiles.

The CHAIRMAN: It is enormous no doubt, but we do not want to bring Mr. Boys and the other Directors back here another day, so I think we had better try and finish up with Mr. Boys. The question of motor traffic and unfair competition will undoubtedly come up in the course of the Committee's investigation.

Mr. McGIBBON: Another thing we ought to discuss is the President's remuneration. Probably he would like to be excused.

The CHAIRMAN: I do not think there is any secret about it. The question has been dealt with by the Board of Directors, we ought to have their report. It is understood by everyone that Sir Henry Thornton has a contract with the Government of Canada, and as far as I am concerned, we respect that contract. I think that is the view of every member of the Committee.

Mr. Boys: When we came to review that I read the contract carefully. My opinion was that the contract covered full-time service for the Canadian National and its various subsidiaries. I found that there were two items of \$5,000 each which had been paid to the President which, as far as my judgment went, were covered by the contract. I did not think that as long as the contract stood they should be paid. That view was supported, and those two payments, Grand Trunk Western \$5,000, and Central Vermont \$5,000 are not being paid.

There is one other item that we dealt with, known as the Ontario Car Ferry, \$5,000. It was pointed out to the Committee by the President's solicitor that that was not within his contract, because the Ontario Car Ferry was not owned or controlled by the Canadian National; that phraseology being included in his contract. Having given that consideration, we came to the conclusion that that contention might be supported. And for that reason that \$5,000 in connection with the Ontario Car Ferry was not dealt with by the Committee.

In other respects we did nothing. We were only a sub-committee of the Executive, we had ourselves no power to deal with what the previous full Board had done. I feel that we had in those two items, because the contract was there. Owing to that fact the stand was taken.

These other features I see from the record were all before the Parliamentary Committee last year, and they went into the whole matter and it rested there and we did not interfere.

Mr. McGIBBON: As far as I am concerned, as I said last year, I neither know nor want to know what the President is worth, he may be worth half a million a year. My point is that a contract should be a contract. I have a copy of the contract here, which states that he is to give his full time for \$75,000 a year and reasonable out-of-pocket expenses. That may be too little, I am not passing an opinion on that. But the returns we got last year, putting a fair valuation on the rent on the house in Montreal, which the National Railway own, totalled about \$148,000 including his expenses.

Mr. MACMILLAN: Does the Canadian National Railway own the house?

The CHAIRMAN: They rent the house.

Mr. McGIBBON: At any rate, the National Railway is paying the interest on the money. And incidentally, if my figures are correct, there was a graft—or commission or something of about \$37,000 in the deal, spread over 10 years.

The CHAIRMAN: Well let us have the legal position straight. I have investigated this matter somewhat. I understand that a previous Board of Directors conceived the idea of buying this house as a residence for Sir Henry Thornton, and leasing it to the National Railway for that purpose. A house was purchased—

Hon. Mr. MANION: Not by the Directors.

The CHAIRMAN: The house was purchased by a company formed by that directorate.

Mr. McGIBBON: The deal was put through by one man, a clerk in the office.

The CHAIRMAN: I do not know about that, but the house was purchased and the title is held by a company. It was leased to the Canadian National Railways under a resolution of the Board of Directors for an amount which, in a period of years, will cover the entire cost of the house, and at the end of the period the holding company will still own the house. That is the outside of the transaction.

Mr. McGIBBON: I do not think your figures are accurate.

The CHAIRMAN: I have not given any figures.

Mr. McGIBBON: They paid \$185,000; \$175,000 for the house and \$10,000 for the furniture, and the rent is \$15,725 a year for 10 years. It would not cover the principal in 10 years.

The CHAIRMAN: I am not sure you are right. The only thing we can do is look at the lease.

Mr. BOYS: I can give that information if you want it.

Hon. Mr. EULER: Was not this matter referred to a special sub-committee last year?

The CHAIRMAN: I do not think it was dealt with in any way. The fact remains that there is a lease binding on the Canadian National, what are you going to do about it?

Hon. Mr. EULER: That is practically what I wanted to say. I do not see the value of spreading this all on the record and all the publicity in connection with it. We had it before the sub-committee last year, and I think it was decided that it was not to be published in the general committee for general broadcasting. I do not see the advisability of bringing it up here.

Mr. McGIBBON: The purpose is to get it rectified. My point is they should have a new contract if they are going to give him that.

The CHAIRMAN: Is not that a matter that the Government will have to deal with? This contract is with the Government.

Mr. BOYS: I may say everything that has been referred to is covered by either contract or lease, or by resolution of the Directors. I should have mentioned that when I brought to Sir Henry Thornton's attention the two five thousand dollar items I have mentioned, he himself agreed that they should be discontinued.

Mr. McGIBBON: Surely the intention of Parliament and the Government was expressed in the agreement. No Board of Directors had any right to override the Government's decision. They may have power to, but they should not.

The CHAIRMAN: That is a matter of policy. I think they have the power.

Mr. BOYS: As far as I was able to see they did not override anything, the contract stands. What they did was to give something in addition to the contract, which they had a right to do if they wanted to. We as a sub-committee could not interfere with that if we wanted.

Mr. McGIBBON: I think it is pretty well expressed in it that \$75,000 was the limit.

The CHAIRMAN: That is true in a sense, but Mr. Boys I think is simply pointing out that over and above the contract the old Board of Directors gave Sir Henry a house. That is an accomplished fact, all the discussion in the world will not alter that. I understand it is legally binding on the Company and we have to accept it whether we like it or not. As to that I am expressing no opinion at the moment. But I do not think we can accomplish much by going

further into the matter. Is there any other matter arising out of last year's report that the Committee would like to discuss?

Mr. MCGIBBON: What about the Merchant Marine, is that discontinued? We recommended that.

The CHAIRMAN: That was a recommendation not to the Canadian National, but to the Government.

Mr. MCGIBBON: But the Government passed it on.

Hon. Mr. MANION: I suppose the technical phrase is "it is still under consideration." There is no doubt that the Canadian Government Merchant Marine and the Canadian National West Indies Steamship service have been losing quite a great deal of money. The committee last year, having heard Sir Henry Thornton and made a recommendation along the lines practically as suggested by Sir Henry himself, who said that either the steamships should be brought up to date or the Canadian National Company should go out of the steamship business. That, in brief, is what he said, according to my recollection.

Sir HENRY THORNTON: Quite so.

Hon. Mr. MANION: Neither has been done. I may point out that there is this aspect to remember, that the steamships give a certain number of trade routes, and there is some contention as to what the value of those trade routes is to the people of Canada. And because of the difficulty of absolutely replacing those routes by private companies,—personally I think it could be done without very much difficulty, but at any rate there is some difficulty—and because of the complications involved, the Government simply has not come to an absolute decision yet as to getting out of the steamship service. I may say frankly that I think it would be an advantage for us as far as possible to get out of most of these steamship services, just as I feel that it would be advantageous, if it could be done, to get out of other non-paying subsidiaries of the Canadian National Railways. I have discussed this with Sir Henry on different occasions, but at the moment a decision has not been come to. It is a matter of Government policy when it will be come to, whether we get out of steamship services altogether, or partially, or stay in them.

Mr. CANTLEY: I think I gave expression in the past to my views in regard to this problem. As far as the so-called "Lady Boats" to the West Indies are concerned I think it is desirable that the service be continued and maintained—

The CHAIRMAN: We are bound to by treaty obligation.

Mr. CANTLEY: Whether we are bound to or not, by view is that should be continued. I will not go into the reasons why I think so.

But as far as the other boats are concerned, I think the sooner we get clear of the whole fleet the better. I have no doubt whatever on that point. I notice we sold only one boat last year, and have several laid up. Every boat that is laid up is a bill of expense. Every boat that is running is a much larger bill of expense. These boats are out of date. They have gone past the No. 3 survey. I have no doubt that we can obtain all the services the Minister refers to by subsidies very much less than the losses we are sustaining in the operation of these boats.

Many of them could only be sold for a trifle. The one sold last year brought a larger amount than I thought could have been got. Personally I would sell every one of those boats, even if I sold them by auction, I would get clear of them within the next twelve months. The sooner we do it, the less money we lose. And we will get an equally good service to all the points covered by those boats for subsidies very much less than the cost of operating the fleet.

Hon. Mr. MANION: There are a number of services besides the Lady Boats. There are freight services to various portions of the West Indies, there was a

service to South America, which was discontinued because it was losing. There are services to New Zealand and Australia, and there is the inter-coastal service between Vancouver and Halifax. May I add that that service has been a paying service. But as far as any of the others go I think they have all been losing.

Mr. MUNN: Vancouver and Prince Rupert is all right.

Hon. Mr. MANION: That is part of the Canadian National, not of the steamship services. The only one I believe that was a paying service was the inter-coastal. It is easy to get rid of that, a private company will gladly take over something that is operating profitably, but it is not easy to get rid of the others. I have had proposals made to me by private companies to take over the New Zealand-Australia service. I have also had a proposal, I think bona fide, to take over one of the services to some of the West Indies. But the difficulty is, sometimes you will get a proposal, made as one of these was, by a steamship company which is largely American, and it is a difficult question to decide whether it is wise to hand over a service.

Mr. CANTLEY: That is easily settled, I would not do it. Let the British companies have it.

Hon. Mr. MANION: In regard to some of the other services, it is debatable whether it is advisable to let them be taken over. I repeat that for these various causes and reasons the whole question is sub judice, and will have to be decided this year.

The CHAIRMAN: I would like to point out, in corroboration of Dr. Manion's position, that Sir Henry Thornton has always taken the position, which I believe to be a fact, that his organization is merely the agent of the Canadian Government in the management of these ships.

Hon. Mr. MANION: That is right.

The CHAIRMAN: And the operation of these ships is a matter of Government policy for the government of the day. That, however, does not bar us from looking into the operation of our agents. However, I suggest that we will be taking up these accounts at a later stage, so we might defer consideration of them now.

Mr. CANTLEY: I am thoroughly aware that the operation of the services was "wished" on the Canadian National Railway management. The Government found the boats on their hands and did not know what to do, and turned them over to the directors of the Canadian National, and they have had to struggle with the matter ever since. The sooner we relieve the Canadian National of that, the better for the country and for the railway management.

The CHAIRMAN: Are there any other questions to ask Mr. Boys?

If there are not, I would point out that Mr. Lucien Moraud, a member of the Board of Directors from Quebec, is here at my invitation and at the suggestion of Mr. Boys himself, and the Committee would be glad to hear from Mr. Moraud.

Mr. MORAUD: I have nothing to add to what Mr. Boys has said except to say that the whole Executive Committee concur in everything he has said. We have discussed all these matters frequently, about every week, and we all concur in the written report made by Mr. Boys and in the remarks he made to the Committee.

The CHAIRMAN: It is the understanding then that the Committee which was set up within the directorate, dealing with the various matters of economies, is being continued?

Mr. SMART: There is a special committee of the Board of Directors.

Mr. MORAUD: Four men, who can give more time than we to this matter.

The CHAIRMAN: I thought that information should be available to this Committee, so that you would know the matter is not being allowed to slip.

Now gentlemen, is there anything further to ask Mr. Boys this morning, or shall we require his attendance again?

Mr. MUNN: In regard to the Pacific terminals, if you look over the situation I think you will find you have got more officials than you need. I can speak of one in particular, I do not want to be personal, but it seems to me there is room there to lop off a few thousand dollars in officials at your Pacific terminals.

Mr. Boys: We perhaps agree to an extent with that suggestion. I asked the Committee to bear in mind that in the inception what is now the Canadian National was constituted from four distinct systems. Four sets of officers, and it was not an easy matter to absorb them all, there was a certain amount of overlapping; it takes time to work that out, it has not been done completely yet. We are inclined to think that in the course of another year, with the Committee at work, it will be O.K.

The CHAIRMAN: Another matter that might be brought up under this order is the matter of pensions. You will recall that that was referred to the Directors, and they have dealt with that. In the report which Mr. Boys has submitted you will find the text of a resolution passed October 21, 1929, in the following words:—

Mr. Ruel made an explanation to the meeting in regard to the pensions received under the Superannuation and Provident Fund Association, and there was read to the meeting a resolution prepared for passage by the committee of management of the said Association requesting the Canadian National Railway Company to supplement, as referred to therein, the pension received by any such member under the superannuation fund so that such member would receive in all the same amount as he would receive if eligible for pension under the Canadian National General pensions scheme.

It was unanimously resolved that upon there being made to this Company by the said Association a request on the lines above referred to, such request may be complied with upon the understanding that any monies so paid by the Canadian National Railways will be considered a charge against the superannuation fund and will be repayable as set out in said proposed resolution.

That resolution, I understand, has been rescinded. And the other pension allowances are now governed by Act of Parliament and rules and regulations passed pursuant thereto.

But I doubt if any member of this Committee knows just what the underlying principle is under the Act of Parliament or under the rules and regulations with regard to pensions. It might be well if the Committee were given some information on that point, because I understand that some pensions have been paid that could not be defended in the industrial life of this country. I know particularly one officer of the National, let out I understand by Sir Henry himself for incompetency and inefficiency, who is now drawing down \$10,000 of the people's money, because that is what it comes to. To me that sort of thing seems almost impossible, that that man should be drawing a salary equal to that of a supreme court Judge, although let out because of inefficiency and incompetency. I am putting it right up to Sir Henry if he can justify that sort of thing. I feel pretty strongly about this ever since I knew about it, and the people of Canada, if they knew, would feel strongly too.

Mr. MCGIBBON: Of course it is only fair that he should be allowed to make his defence. You have made it pretty strong, you said incompetence.

The CHAIRMAN: I said I understood incompetence. Of course if he was retired on any other ground that is an answer.

Mr. McGIBBON: I know the man you mean, I know the pension he is getting.

Mr. GOBEL: Are not these pensions regulated by rules.

The CHAIRMAN: What is the basis of pensions under the National railway system?

Hon. Mr. MANION: There is no more complicated question than this pension question. I entirely agree with the suggestion of the chairman that we should have a statement, instead of just getting a few items. I would like to suggest that some of the officers of the National road explain the pension system, not only for the officers but for the men, whether it is non-contributory or contributory, how it is done, in brief. I think at the next meeting, or at some other meeting, a complete statement might be prepared of the whole pension system.

Sir HENRY THORNTON: May I make this suggestion? As you say, it is a very complicated question, because in the consolidation of the various properties there was an inheritance of a number of different pension systems. It was by no means an easy task to co-ordinate those systems, in fact it has not been done yet. I would suggest that the Committee allow me to have prepared a brief which can be distributed to the Committee which will put the thing in concise form.

The CHAIRMAN: That is an excellent suggestion. I want it understood that I am not particular about any individual case, but we ought to understand what the system is. I think Sir Henry's suggestion will receive the full approval of the Committee.

Mr. BOYS: As this was referred to my committee I thought it was my duty to find out something about it. I asked for a complete but concise statement; I have it here, I will hand it out.

The CHAIRMAN: Would you read it?

Mr. BOYS: It is rather long.

Sir HENRY THORNTON: I suggest you have it duplicated for distribution. I had forgotten you had that.

Mr. BOYS: I may mention that the pension system under the act of 1929 is a non-contributory system. But there is contribution under some of the others. There were four altogether.

The CHAIRMAN: Are there any other questions to ask Mr. Boys before he leaves? Because he is a busy man, we do not want to bring him back unless we have to.

I am sorry to say we have not yet had authority to meet in the afternoon, and Sir Henry Thornton has told me that he has a very important engagement which he must keep to-morrow, and it will not be possible to meet again until Tuesday morning. So if anyone wants to ask Mr. Boys anything more, now is the opportune time.

My attention is called to the fact that we are clashing this morning with the committee on Railways and Canals.

If it is the wish of the committee, we might be allowed to meet at the call of the chair. I will ascertain that there will be no conflict with the other committee, and ample notice will be given. In any event we ought to be prepared to go on next week and finish up as promptly as possible.

I understand now that it has been ascertained that the other Committee is to meet on Thursday; then we will meet Tuesday morning at 11 o'clock.

The committee adjourned, to meet again on Tuesday, April 12, 1932, at 11 a.m.

HOUSE OF COMMONS, Room 231,

April 12th, 1932.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m., Mr. Hanson, the Chairman, presided.

The CHAIRMAN: Gentlemen, I am sorry to have to tell you that Sir Henry Thornton, who was to be here to-day, is ill with influenza. That need not deter the committee from going on with its duties this morning, except that possibly anything of a controversial nature, or anything that might require the personal consideration of Sir Henry Thornton, I think in deference to him, ought not to be gone into to-day, in view of the fact that his illness is merely of a temporary nature; and if there is anything that anybody wants to bring up this morning with reference to the business allocated to this committee, then I think we could very well go on.

I must confess that there has been great difficulty in getting this committee to function this session. It has not been the blame of any person or persons particularly, but by combination of circumstances over which I, at least, have had no control. I am anxious to see the committee function; I am anxious to see it complete its duties in the time allotted to us, but we have not made very much progress. Last week we met, and we covered a substantial amount of ground. I think we might proceed, if we can, with anything that any member of the committee might desire to bring up. We can, also, if it is necessary, start in on the estimates. I merely throw this out as a suggestion, as to what we might do, having regard to the fact that the president is not here, being unavoidably absent through illness.

Mr. HEAPS: Perhaps I might be allowed to put a question, which is not exactly within the purview of the question before us this morning. There have been a great many questions asked in the House, and a lot of discussion in the country in regard to the layoff by the Canadian National Railway. I do not know whether Mr. Hungerford would be in a position to give us this information, or any official of the railway could give a statement to the committee this morning, because members of the House are receiving telegrams, letters, and other forms of communication continuously, in respect of this matter, and I can quite understand the anxiety of a great many of the employees of the Canadian National Railway in regard to this question.

The CHAIRMAN: Mr. Hungerford is here, and he has placed himself at the disposal of the committee. If he is in a position to make a statement, I have no doubt he will do so.

Mr. HUNGERFORD: I should like to ask Mr. Heaps, if I may, if he is referring to the general situation, or simply the situation at Winnipeg?

Mr. HEAPS: I shall be glad if you will give the general situation in regard to the whole of the Canadian National Railway system. If you wish to refer to the situation in the west, I have no objection.

Mr. HUNGERFORD: Well, the general situation with respect to the mechanical department of the Canadian National Railway is substantially this: ever since the depression set in, we have progressively reduced expenses as much as we could by reducing the hours and distributing works. I am speaking more particularly of the general repair shops in that regard. The first reduction in time was made almost two years ago. Later on, a further reduction was made, but we finally reached a point, notwithstanding the reductions in time that have

been made, where we found ourselves without sufficient work to employ the existing staff even on the basis of reduced hours, and there seems to be no alternative but to lay off a considerable number of men.

Mr. HEAPS: Well, I wonder, Mr Chairman, if Mr. Hungerford could tell us the proposed number of men that were to be laid off. We have had figures submitted to us, showing that over 5,000 men were to be laid off over the whole system. Are those figures correct?

Mr. HUNGERFORD: The total number of men to be laid off at this time, including those who have been laid off within the last month or so, amounts to around 4,000 men.

Mr. HEAPS: Do you think any modification will take place?

Mr. HUNGERFORD: I beg your pardon?

Mr. HEAPS: Is there likely to be any modification in the number to be laid off?

Mr. HUNGERFORD: I can hardly contemplate that; because the number of men to be laid off was carefully calculated on the basis of the amount of work to be performed.

Mr. HEAPS: Is it possible, then, Mr. Chairman, for the system to undertake, as it has done in previous years, work on capital account?

Mr. HUNGERFORD: I do not think I am prepared to answer that, Mr. Heaps.

Hon. Mr. ROGERS: Will Mr. Hungerford tell us how many Americans are working in the shops?

Mr. HUNGERFORD: Mr. Rogers, I have not the figures with me, but the number of Americans employed in the shops at Fort Rouge and Transcona, insofar as I can recall, is limited; only a few, so far as I remember.

Hon. Mr. ROGERS: I am given to understand that there is a large number.

Mr. HUNGERFORD: Unfortunately, I have not the figures here. I cannot recall them, but that is my impression.

The CHAIRMAN: Is it a fact that upon the amalgamation and co-ordination of the different units which now make up the Canadian National system, the management found themselves overloaded with shops and shop men? Is that a correct statement of the position?

Mr. HUNGERFORD: Well, I would say we are overloaded with shops, but not shop men, having regard to the amount of work that has to be done.

Mr. HEAPS: I wonder, Mr. Chairman, if Mr. Hungerford could supply the committee at the next meeting with a list showing the number of men employed by the railway over a period of the last five years, and the amount paid in wages for that same period?

The CHAIRMAN: A five-year period is a long period.

Mr. HEAPS: I think they have the information.

The CHAIRMAN: Well, possibly they have. Will you make a note of that, Mr. Fairweather, and see what can be done?

Mr. FAIRWEATHER: Yes, I think we can do that.

Mr. MACMILLAN: Can you tell me, Mr. Hungerford, if in the years 1930 and 1931 the shop men were employed reconstructing cars and that sort of thing, engines and so on, and what portion of their wages was charged to capital account and operating account?

Mr. HUNGERFORD: Oh well, there are well defined rules in regard to that, Mr. MacMillan. Their wages were paid in connection with construction of new equipment, of which there was a limited amount built; paid on additions to the older equipment. If there was something new introduced to a unit of equipment,

it would be charged to capital account, the remainder and by far the greater proportion would be charged to operating expenses.

Mr. MACMILLAN: Can we get those figures?

Mr. HUNGERFORD: I think we could.

Mr. MACMILLAN: For the years 1930 and 1931, the amounts of wages paid, the amounts charged to capital account and operating account.

Mr. HUNGERFORD: I think we can do so.

Mr. MCGIBBON: Last year we had a system of getting information with respect to certain questions, by putting the questions to the chairman. I suppose we might continue that this year.

The CHAIRMAN: If it is the wish of the committee, I have no objection. I see no reason why the questions should not be asked directly of the officials here.

Mr. MCGIBBON: I was saying last year the information that was wanted by members of the committee was put in the form of a question to the Chairman, and the answers came along in due time. That was done largely to save time.

The CHAIRMAN: I think it is a good system of procedure. Has anybody any questions they desire to ask along the lines indicated by Dr. McGibbon?

Hon. Mr. ROGERS: I should like very much to get the number of Americans employed at Winnipeg.

The CHAIRMAN: I am told that information could be obtained approximately; it would not be absolutely correct. That will be obtained, I think.

Mr. MCGIBBON: Last day, Mr. Chairman, I brought up a matter in connection with expense accounts of officials of the railway, you will remember, and the committee in its wisdom thought differently from me. So I should like to move that a sub-committee, composed of three persons, of the members of this committee, be appointed by the Chairman of this committee, to investigate the expense account of officials particularly for the year 1930, which the auditor's report is \$1,952,000 odd; that the auditors of the company be instructed to assist them, and to make such segregation and analysis of said accounts and vouchers as the sub-committee shall direct; and that a report shall be made at such date as said committee shall direct; and further, that said auditors be instructed to furnish such clerical assistance as shall place them in a position to report as aforesaid.

The CHAIRMAN: Will you send that up, doctor?

Mr. MCGIBBON: Yes.

The CHAIRMAN: Gentlemen, it has been moved by Dr. McGibbon—it does not require any seconder, I understand—"that a sub-committee, composed of three persons, present members of the railway and shipping committee, shall be appointed by the chairman of the said committee, to investigate—"

Mr. MCGIBBON: The expense account of 1930.

The CHAIRMAN: Yes. There is a blank. Shall I insert the words "expense account"?

Mr. MCGIBBON: It is more or less what we referred to last week.

The CHAIRMAN: We know what is meant, anyway.

Mr. MCGIBBON: Yes.

The CHAIRMAN: "—expense account of officials, particularly for the year 1931: that the auditors of the company be instructed to assist them and to make such segregation and analysis of said accounts and vouchers as the committee shall direct; and that a report shall be made at such date as said committee shall direct: and further that said auditors be instructed to furnish such clerical assistance as shall place them in a position to report as aforesaid."

Mr. BEAUBIEN: I thought that was settled at the last meeting of the committee.

The CHAIRMAN: I would not think so. What we settled was that Dr. McGibbon was not to have a photostatic copy of the account. I may say to the committee, very frankly, that the reason I voted, or gave the casting vote against that motion last week, was because I thought it would be a physical impossibility. There were hundreds of accounts that would have to be inquired into, and I was given to understand that the volume would probably fill a freight car. Now, that did not preclude the investigation of the items, so far as I am concerned. That would be the sense of the committee, if you analyze just what transpired. As I understand this resolution, it is to have an examination of those accounts by a sub-committee of the committee, and as a member of the committee I see no objection to it.

Mr. BEAUBIEN: Is that sub-committee to report back to this committee?

The CHAIRMAN: Whatever it may see fit to do; it is unlimited.

Mr. BOTHWELL: What is the wording of the resolution again?

The CHAIRMAN: The wording of this resolution?

Mr. BOTHWELL: Yes.

The CHAIRMAN: "Moved by Dr. McGibbon, that a sub-committee composed of three persons, present members of the Railways and Shipping Committee shall be appointed by the Chairman of the said committee to investigate the expense account of officials particularly for the year 1931; that the auditors of the company be instructed to assist them and to make such segregation and analysis of said accounts and vouchers as the committee shall direct: and that a report shall be made at such date as said committee shall direct: and further that said auditors be instructed to furnish such clerical assistance as shall place them in a position to report as aforesaid."

Mr. DUFF: Mr. Chairman, I have no particular objection to this committee or sub-committee going into any accounts in connection with the Canadian National Railways; in fact, I presume it is our duty so to do; but the first point I should like to make is this: we are now dealing with the accounts and statements of the railway from 1931 on. This resolution deals with matters which took place in 1930, and I am not sure in my mind whether we can go back to 1930 after the committee adopted the report of the Canadian National Railways for that year, when we met last year. However, as I said, I am not concerned as much about that, although it is a point which I think we should consider and deal with before we cast our votes on this resolution. If we are going into this matter, if we need detailed information about the 101 other matters which are contained in the annual report, it seems to me, sir, this sub-committee, when appointed, will not be able to report back to this committee this year. I think you will agree with me, that even in the matters contained in Dr. McGibbon's resolution, it is going to take a great deal of time for the sub-committee to get the information which will do us any good. If the committee is to go into all the details of all those different accounts, it is going to take a lot of work. Now, it might be a good idea to appoint a sub-committee which would work during the recess, after we prorogue parliament—

Mr. MCGIBBON: Committees cannot do that, Mr. Duff.

Mr. DUFF: Oh, yes. If a sub-committee of this committee cannot do it, I am going to advocate a way of going on with it. As I say, I am quite in agreement that Dr. McGibbon and parliament has a right to that information, and all details which we can get, and which we think are necessary to the proper discharge of our duties as members of this committee and members of Parliament. It is impossible for a sub-committee of this committee to get the in-

formation if they are going to work at it only during the time this committee is in session during this parliament; and I would suggest, if we are going to do anything at all, let us do it right. I am not quite clear whether this committee can appoint a sub-committee along those lines. It seems to me it is useless to appoint a sub-committee to go to Montreal for one or two days and endeavour to look through a mass of documents which somebody has said would fill a freight car. That is impossible.

Now, I have not got much to do this summer; I am hard up, poor, and sir, there are other members of the committee, I know, who are not in as good shape as they should be financially, and then we got a reduction of \$400 on our indemnity—I am opposed to that, as you know Mr. Chairman, I think we are entitled to the whole \$4,000. If there is any way that this committee could get the information, which is in the interest of the country, and in the interest of parliament, it seems to me that some way should be devised, and this committee should authorize a sub-committee to deal with this matter in the proper manner, by arranging that it should take the whole summer at the work. They will need it if they are going to go through all those documents. I am no slouch myself at high financing. I feel that if they are going through a whole carload of vouchers, memoranda and accounts, it is going to take a good deal of time, and that is the only way to do it.

It seems to me, Mr. Chairman, there are other matters outside of what Mr. McGibbon has spoken of, which it might be necessary to examine. If we are going to have a cleanup, let us do it in a proper way; let us have a real cleanup, let us go through the whole thing. For instance, I think you will agree, and that the other members of the committee must agree, that after all is said and done, while we do the best we can in this committee, our labour is in vain. There is no question about that. How can we, meeting a dozen times, or two dozen times, for two hours in the day, during the meetings of the committee, during the session of parliament, go into documents that are placed in our hands in the morning. It is absolutely impossible. Let us get down to brass tacks, and decide to leave this matter with the directors of the railway, who have been appointed by the government, and who are responsible to the government and shareholders, and who are there as the representatives of the shareholders, or let us go into the matter properly. Now, the only way to go into it properly is as Dr. McGibbon suggests, appoint a sub-committee, and give them power to take all the time they want to make a proper and full investigation. Since I would not expect a sub-committee to work without pay, I would suggest those who are appointed, if they are going to make a good job of it, that they be paid. In view of the fact, Mr. Chairman, the answer may be made, that members of parliament cannot receive any remuneration for their services—I had an experience of that kind myself when I was chairman of the fisheries committee in British Columbia. I was away from my business for eight weeks, and did not get one dollar. Some of my opponents even found fault with my expense account. As far as remuneration is concerned, I was a member of parliament and did not get one cent for the eight weeks I was away from my business. Due to the fact that the Canadian National Railway system is a separate entity from the government, I make the suggestion that this sub-committee should be entitled to a suitable remuneration and expenses during the time they are connected with this important work.

Mr. MCGIBBON: Mr. Chairman, in reply to Mr. Duff I might say the reason this was not gone into last year, was that we did not get it until the dying days of the session; in fact I think this committee was appointed when I got the information. Most of the information, I might say, was got by questions put in by myself. I did not say anything about any of those last year, because I thought it only fair to give the board of directors and the management a chance

to clean up the situation a little bit, and I must say I was very much surprised this year when I found that practically nothing had been done. People are paying out a lot of money for this railway; salaries are exorbitant, I think, for the time and the financial condition of the road. The people have to put their hands in their pockets and pay. Now, if this railway were prosperous, and paying its own way, I for one, would not have a word to say. When you have got to go to the people, year after year, and ask them to put up about \$100,000,000 for this railway, as I said the other day, in my opinion, you cannot go on very much longer. It is impossible. I gather from Mr. Duff that this resolution does not go far enough; but I am quite willing to open up the whole issue, as far as I am concerned. I think probably it would do it good. I think a terrible mistake was made—I am only expressing my own opinion, I am not expressing the opinion of anybody else—when this whole thing was taken away from the Auditor General. I think that was the first of April, 1923, and in my opinion it was a terrible mistake. At the present time, the people do not know what is going on; they know absolutely nothing. I thoroughly agree with Mr. Duff that the committee is absolutely useless.

Mr. BEAUBIEN: May I ask a question. If this committee is useless, how much use would a sub-committee be?

Mr. MCGIBBON: I say it is useless as far as obtaining any valuable information is concerned. What can anybody tell from the books that are placed before us? There are no details in them. You cannot get anything specific from them. It is only by questions such as those that you can get a little light on what is going on in the dark behind the board of directors. This account is mentioned simply because I have not the items of any other account; that is all. Any other year might probably have done as well. This struck me as being an exorbitant account. I may be wrong; but at any rate, I think we are entitled to this information. The people of Canada are paying the bill, and they should get the information.

Mr. BEAUBIEN: Has this motion been agreed on? Is there an amendment to it in regard to the year 1930?

The CHAIRMAN: I am just coming to that point. Do I understand that Mr. Duff has raised a point of order against the committee going into the year 1930? As I see it, strictly speaking, Mr. Duff is correct. If you refer to the order of reference, you will see that this committee is referred only to accounts and estimates for the present session. I presume that means for the year that is under immediate review. The year 1930 would be the past year; and in accordance with that, technically speaking, I think Mr. Duff is correct. Dr. McGibbon's motion, however, arises directly out of the discussion of last year, and the report of the committee last year; and the report of the director's committee submitted to this committee this year of last year's expenses, would, naturally, bring it up. If I am pressed for a strict ruling, I have to say that the inclusion of the year 1930 would put the resolution out of order. There is no reason, however, why the year 1931 should not be included.

Sir EUGENE Fiset: Before you go any farther, I should like to call your attention to the fact that the fiscal year of the Canadian National Railway and the government are the same. I think the report you are dealing with at the present time deals with 1930 and 1931 as well.

Mr. DUFF: If it does, this resolution is in order.

The CHAIRMAN: It deals with the year 1931, as I understand it.

Sir EUGENE Fiset: The fiscal year of the railway.

The CHAIRMAN: The fiscal year of the railway ends on the 31st December. If Dr. McGibbon would amend the resolution to read "particularly for the year 1931", and leave out the interjection, "which the auditors report is \$1,952,-

000." That would regularize the resolution. I would suggest that amendment. I would not think that would debar this sub-committee, however, from making a comparative analysis of the railway operations as compared with previous years.

Mr. BEAUBIEN: This motion asks that a sub-committee be appointed to inquire into the expenses of the officials of the Canadian National Railway? Is that the right understanding of it?

The CHAIRMAN: That is it.

Mr. BEAUBIEN: Can this committee go back into a matter which it has already disposed of since that matter was disposed of at the last meeting of the committee?

The CHAIRMAN: I have already ruled against that contention.

Mr. BEAUBIEN: With all due respect—

Mr. DUFF: I think Mr. Beaubien meant last year.

Mr. BEAUBIEN: I mean the last meeting we had.

The CHAIRMAN: You meant Dr. McGibbon's resolution for photostatic copies?

Mr. BEAUBIEN: Yes.

The CHAIRMAN: The point raised by Mr. Duff certainly is technically correct, if he wants to press it.

Mr. DUFF: I would not press my point, Mr. Chairman, if the committee will deal with the question that I introduced. That, in my mind, is of much more importance than the single matter of how many meals the officials had, and how many pounds weight they put on, and how many games of golf they played, and so on. I am sorry Dr. McGibbon made the remark he did in his last statement, where he said if the railway was making money, he would not be so particular about this enquiry. That, in my opinion, has nothing to do with it. If the railway is extravagant in its expense account, they have no right to be extravagant whether they are making \$100,000,000 of a profit or \$50,000,000 of a deficit. The question is not that. The shareholders of this railway are entitled to know just what the expenses are; and representing the shareholders of the railway, it is our duty to see that no extravagance takes place, whether it is in the different items suggested by Dr. McGibbon, or any other items. There is a good deal of talk around the country about extravagance in this system, even extravagance last year. There is some talk about, for instance, the matter which came out in one of the committees this year, the new car for the Prime Minister; also the matter of some hundred odd thousand dollars spent on the Chateau Laurier last year. These are extravagances, in my opinion, if they are true, and it seems to me they should be investigated, and other matters as well. The Montreal matter should be investigated, and other matters referred to by Dr. McGibbon.

Mr. MACMILLAN: Mr. Chairman, in the report of this committee to the House of Commons last year, dated July 16th, they asked that the Board of Directors,

"should immediately consider the whole question of salaries, allowances, disbursements, pensions and retirement provisions for executive officers and officials of the company receiving salaries of \$5,000 and over in order that every reasonable and proper economy should be effected."

So I should think you have a perfect right to go into the matter referred to.

The CHAIRMAN: If I am obliged to rule, I shall rule that, technically speaking, we cannot go into the year 1930, but we can go into the year 1931, which would involve the operations of the year 1930, which in effect would be exactly the same.

Mr. DUFF: I agree with that ruling.

Mr. MACMILLAN: There are lots of matters that happened in the year 1930 that probably will never happen again, matters that the country should know about. Take this house deal, for instance. The press in reporting the house deal, conveyed the impression to the country that the Canadian National owned the house. They paid for it, but they do not own it at all. The National Railways do not own that house, although they paid for it with our money.

The CHAIRMAN: Dr. McGibbon, would you accept the suggestion which I made, having regard to the consideration which prevails?

Mr. MCGIBBON: I am glad to do almost anything for you, Mr. Chairman, but I am rather inclined to agree with Mr. MacMillan. I think there was, probably, a substantial reduction in 1931, and I am told there is a much greater reduction this year, due, no doubt, to the ventilating of this thing last year. In my mind, the more these things are ventilated, the more care will be exercised.

Now Mr. MacMillan has brought up the matter of the Montreal house. If my information is correct, that was bought by the clerk of one of the director's offices, and on the very same day he applied to the Montreal Trust Company for a loan for the full amount, and got it. And on the same day, too, I think it was the day the present Prime Minister was sworn into office, they rented it to the National Railway for \$15,725 a year, plus taxes, insurance, etc. Now, my information is they pay 6½ per cent for the money. Take the difference of what they paid for the money, and what the National Railways is paying, and it amounts to about \$3,700 a year, which in ten years would amount to \$37,000. Do we have to sit here, representing the people, and let these people go on like that? I, certainly, do not propose doing it. This has been a very disagreeable job for me, both last year and this year; but when you have a railway system with over two and a half billions of capital, that is barely paying operating expenses, and the people have to put their hands in their pockets for the interest that we owe on the bonds, I think it is just about time somebody did something. Somebody has to take action.

The CHAIRMAN: The question of the president's house is properly before this committee, if we want to investigate the whole matter, because it is presently in the accounts of the year under review. There is no doubt about that.

Mr. DUFF: Did I understand you to say, Mr. MacMillan, that the railway bought this house for the chairman?

Mr. MACMILLAN: No, I said the press conveyed that information.

Mr. DUFF: We might still get it straightened out. I want to say, first, that I think the directors exceeded their duties, when they arranged for some person unknown, if they did, to go out and purchase this house. They exceeded their duties when they did that, and I think they exceeded the president's contract when they gave him this house afterwards, free of rent. I am opposed to that, and I want to go on record as being opposed to it. I think that was a mistake, and I do not know now whether that arrangement made by the directors holds good, or not. It seems to me, if it does not hold good, if it is outside of Sir Henry Thornton and the railway company, it should be cancelled. I cannot agree with Dr. McGibbon when he says the person who purchased it and who afterwards rented it to the railway was paying 6½ per cent on the money. Evidently that \$3,700 is wrong, because I presume they have house insurance, and other things which they have to pay.

Mr. MCGIBBON: The railway pays that.

Mr. MACMILLAN: The railway pays that.

Mr. DUFF: Insurance on the house?

Mr. MCGIBBON: Yes.

Mr. DUFF: That makes it worse. It seems to me this is a matter which should be investigated, whether or not the railway is liable for that portion of Sir Henry's Thornton's remuneration.

The CHAIRMAN: I have a suggestion in regard to this situation, but let us deal with Dr. McGibbon's motion first, and dispose of that. After that, if it is the will of the committee, we can call for all documents and witnesses relating to the house, which is a separate transaction. I rule it is properly within the purview of this committee, under the estimates that have been delivered to us for the year 1932, and the accounts for the year 1931. There is no reason why the committee should not go into the whole thing. The committee can get the directions, leases, remarks of the board of directors, and everything pertaining to this transaction should be brought before the committee. There is no reason why we should not do that; but let us leave that for the moment until we dispose of the question immediately before the chair. I had hoped Dr. McGibbon would accept my suggestion, that if he is to mention a particular time, he should mention the year 1931. Eventually a comparison with 1930 will come up, and I think he will accomplish his purpose, whatever he has in mind, and we will technically be within the rules of the house, relating to investigations by committees.

Mr. DUFF: May I raise this point, if this sub-committee is going to be appointed, and if Dr. McGibbon's resolution is going to be placed before this committee, I think it should be broadened or widened or extended, to deal with a great many other matters as well as this one particular matter, with regard to this \$1,900,000 to see what money was spent for the same purpose last year.

The CHAIRMAN: Are you making an amendment, Mr. Duff?

Mr. DUFF: I would rather Dr. McGibbon would agree to amend his resolution.

Mr. MCGIBBON: I do not see how we can do that, Mr. Chairman, unless we appoint a royal commission.

Sir EUGENE Fiset: They have one already.

The CHAIRMAN: Not for those duties.

Sir EUGENE Fiset: What are the powers of this royal commission which is sitting at the present time on the Canadian National and other railway matters? Are they entitled to go into those details as well?

The CHAIRMAN: I think they have a pretty broad scope, and I understand from Mr. Hungerford just now, that they are investigating matters of this very character. I am told by Mr. Fairweather they are calling for information constantly, and they have got a mass of information that they are trying to assimilate.

Mr. FRASER: Would that refer to Dr. McGibbon's motion as well?

Mr. FAIRWEATHER: You will find attached to the balance sheet a certificate of the auditors, Messrs. George A. Touche and Company, chartered accountants, certifying the income statements, and the profit and loss accounts. There is a continuous running audit by the Canadian National Railways of all its lines, and that audit is signed by the official auditors, whom I have just mentioned.

The CHAIRMAN: That is not what the members of the committee are asking.

Mr. FAIRWEATHER: Our operations are subject to an audit, a current audit by those auditors. Necessarily it is a spot audit, because they would have to have a staff of 3,000 accountants to make a full audit. A spot audit is currently carried on in all those matters.

Mr. MACMILLAN: There was no spot audit carried on in regard to the purchase and rental of that house. Was there a spot audit in that connection?

The CHAIRMAN: That was a matter of policy for the directors, and I do not think the auditors knew anything about it.

Mr. HEAPS: Has the motion been carried?

The CHAIRMAN: The auditors had nothing to do with the resolution of the board of directors, and the auditors would have nothing to do with the acquisition of the house by way of lease. I am in the hands of the committee. Technically, this resolution refers to the year 1930, particularly, and I am advised it is outside the order of reference.

Mr. McGIBBON: I will accept your suggestion.

The CHAIRMAN: My suggestion was to insert the year 1931 instead of 1930. If the resolution were left as it is, I think the committee could very well pass it. Unless someone wants to make an amendment, you accept that resolution?

Mr. McGIBBON: All right.

The CHAIRMAN: Are you ready for the question? The question is:—

Moved by Dr. McGibbon, that a sub-committee, composed of three persons, present members of the Railway and Shipping Committee, shall be appointed by the Chairman of the said committee to investigate the expense account of officials, particularly for the year 1931; that the auditors of the company be instructed to assist them and to make such segregation and analysis of said accounts and vouchers as the sub-committee shall direct; and that a report shall be made at such date as said sub-committee shall direct; and further that said auditors be instructed to furnish such clerical assistance as shall place them in a position to report as aforesaid.

Carried.

Mr. McGIBBON: Where do you draw the line of distinction between employees and officials?

Mr. FAIRWEATHER: Of course, in our classification of employees, we are governed by the regulations of the Dominion Bureau of Statistics, as to whether a man—

Mr. McGIBBON: Where do you draw—

Mr. FAIRWEATHER: Pardon me, I am trying to explain to you. We are governed by those regulations as to whether a man is classed as an official, or whether he is classed as an employee. For practical purposes, in the administration of the railways, there are certain regulations that an employee drawing more than a certain stated rate of compensation, has to have that compensation approved by the board of directors and—

Mr. McGIBBON: Excuse me, that is not what I want.

Mr. FAIRWEATHER: Just what do you want, doctor?

Mr. McGIBBON: I want to know what classes are officials, and what classes are employees. For instance, are conductors officials or employees?

Mr. FAIRWEATHER: Conductors are employees.

Mr. McGIBBON: What classes are officials?

Mr. FAIRWEATHER: Well, I think sir, the only way to answer your question, technically and accurately, would be to read the classification of employees as given by the Bureau of Statistics. That is perfectly distinct. A man who has, generally speaking, supervising power, will be classed as an official. A man who has general supervisory powers would be classed as an official, and a man who has a limited supervisory power, would be classed as an employee. For instance, a foreman is an employee, but the superintendent of a shop is

an official, and without getting very technical, that is, as far as I can say, it depends upon the degree of supervision of technical skill that he brings on his job.

Mr. McGIBBON: An official would be stationary. They would not be a travelling official.

Mr. FAIRWEATHER: A portion of them are stationary, although very few of them.

Mr. McGIBBON: The foreman of a shop?

Mr. FAIRWEATHER: A superintendent of a shop; a foreman is not an official.

Mr. McGIBBON: Would a superintendent be travelling for a shop?

Mr. FAIRWEATHER: The superintendent of a division would be travelling to a considerable extent, because of necessity his work is of such a nature that he has to keep in touch with conditions in the region. He is called for conferences at Toronto or at Montreal; but a superintendent of a shop, for instance, would not travel to anything like the same degree as a superintendent of a division, or a general superintendent would do. It is a matter of degree. A superintendent of a shop would not travel as much as a superintendent of a division. A superintendent of a division, if he is a good superintendent, is travelling at least half his time.

Mr. McGIBBON: If a superintendent of a shop is a good superintendent, he would be in his shop.

Mr. FAIRWEATHER: He would be in his shop, I would say, at least 85 per cent.

Mr. McGIBBON: I can get that classification from the statistics?

Mr. FAIRWEATHER: Yes. There is a classification of employees published.

Mr. McGIBBON: There is another question I want to ask. Disregarding the debt of the National Railways to the country, how does the operating surplus for the last eight years from 1923 compare——

The CHAIRMAN: I do not think they can hear you, doctor. I know the reporter has difficulty in getting you. Before you embark on that, may I appoint this committee. Dr. McGibbon, Mr. MacMillan, and Mr. Duff.

Mr. DUFF: No thank you, not without pay.

The CHAIRMAN: I am sorry, I have no authority to pay. Well then, do I take it you decline to act on this committee?

Mr. DUFF: Yes.

Mr. McGIBBON: You cannot do that.

The CHAIRMAN: You may, if you want to. I shall appoint Mr. Euler. Would you repeat your question, doctor?

Sir EUGENE Fiset: Will that committee sit when the House is in session?

The CHAIRMAN: They can sit when they please. It is an informal committee.

Mr. McGIBBON: Taking the operating surplus of the road, and disregarding the debt entirely to the government, by how much did the operating surpluses fail to meet the interest to the public since 1923?

Mr. FAIRWEATHER: Well now, feeling that general question was one which would be of very great interest, in the preparation of the annual report this year, the statement has been prepared which shows, in the consolidated period from 1923 to 1931 inclusive, just what has happened on the Canadian National system. You will find in summary form on page 6 of the annual report, and

with a schedule on page 28—with regard to your first question, you will see on page six that the net surplus earnings—that is what you call your operating surplus—certain items taken out of it before appropriations and interest on funded debt in that period amounting to \$254,437,554.54. That is the net amount of cash we took in after paying our annual expenses—

The CHAIRMAN: Operating.

Mr. FAIRWEATHER: And cash expenses. Now, on page 28—

Mr. McGIBBON: Expenditures, \$386,537,381.35.

Mr. FAIRWEATHER: The interest charges on long-term funded debt held by the public in that same period amounted to \$386,537,381.35.

Mr. McGIBBON: It took over \$120,000,000 to meet the interest to the public. I think Mr. McLaren said last year, in replying to a question by Mr. Hackett, that it was about \$111,000,000.

Mr. FAIRWEATHER: That was not interest. That was included in the year 1931, which, of course, is a disastrous year.

Mr. McGIBBON: That would make it worse, of course; this does not compare with it; that is my point.

Mr. FAIRWEATHER: This statement is a statement of cash receipts and expenditures.

Mr. McGIBBON: That does not take into consideration the deficit on the eastern lines.

Mr. FAIRWEATHER: This does not take into consideration the deficit on the eastern lines; this is the Canadian National Railway report. Of course, included in it is the inheritance of all the mistakes and failures in the railway history of Canada.

Mr. McGIBBON: Now, you cannot get it both ways. Sir Henry Thornton last year very distinctly stated, and he gave the figure, that it cost you no more to bring this railway to a state of efficiency—I presume it would be in a state of efficiency to-day—

Mr. FAIRWEATHER: The Canadian National is efficient to-day.

Mr. McGIBBON: Sir Henry Thornton in his evidence last year made this statement, and gave the figures, that it cost him no more to bring the National Railways to the present state of efficiency than it did the C.P.R., and the Sante Fe, and other first class railways on the American continent.

Mr. FAIRWEATHER: I do not understand you, sir. In 1923 and earlier than that, when these various roads which now make the Canadian National Railways were assimilated into one company, the physical condition of those properties was simply beyond description. The condition of their equipment was very bad, and the condition of the road bed was simply terrible. And to say that it did not take a lot of money to bring those properties up to their present state of operating efficiency is improper, and must have arisen out of some misunderstanding.

The CHAIRMAN: It did take a lot of money, anyway.

Mr. McGIBBON: Listen to this, Mr. Fairweather. This is Sir Henry Thornton's evidence, in answer to a question by Mr. Hanson. He says, "Oh, yes; everything that is chargeable to capital. Now, here is a new yardstick. Within the last eight years, the expenditures on capital account on the Canadian National, amounted to \$2,069 per mile of line. On the Canadian Pacific Railway it amounted to \$1,990 per mile, or practically the same as ours." Then it goes on, and gives the Sante Fe and other first-class railways, and his statement was this: That it cost no more money to put the railways into a state of efficiency than it did the C.P.R.

Mr. FAIRWEATHER: He was not referring to the total of eight years sir, in that, I do not think.

Mr. McGIBBON: I think he was.

The CHAIRMAN: My recollection was that he was.

Mr. McGIBBON: He distinctly says so. He says, "within the last eight years."

Mr. SMART: What page is that?

Mr. McGIBBON: Page eleven of the first report of the committee of last year. He made that point, and was boasting about it, that he had brought the Canadian National Railways into the present state of efficiency at a cost of no more money per mile than the C.P.R. and the Sante Fe and other first-class railways.

Mr. FAIRWEATHER: I think, Dr. McGibbon, that one thing you must keep in mind is this: there is a distinction between capital expenditure and maintenance expenditure.

Mr. McGIBBON: Of course, we know that.

Mr. FAIRWEATHER: Well, that is very much to the point. Now, I have made a study of what has happened to the Canadian National Railways since 1923 and it is my personal opinion that at least \$70,000,000 has been expended and charged to operation for the purpose of picking up deferred maintenance which had been permitted to accumulate on the properties during the time the private owners of these properties were going into bankruptcy.

Mr. McGIBBON: How does that compare with other railways?

Mr. FAIRWEATHER: Other railways have no such problems to face.

Mr. McGIBBON: Of course, Sir Henry was bragging about that very point.

Mr. FAIRWEATHER: I think I have heard—

The CHAIRMAN: The point Mr. Fairweather is making is this, that deferred maintenance is not included in that, and when Sir Henry Thornton was giving his evidence, he was speaking of capital expenditure; I think that is very true. You tell us that the figures are comparable to the other systems.

Mr. FAIRWEATHER: Yes, that is the point, exactly. Capital expenditure is such that it would cover expansions to the property, or the purchase of improved equipment or a better class of rail, and things like that; and when you take it all in all, the Canadian National Railways capital expenditures were not excessive, considering the general period of development.

Mr. McGIBBON: I quite understand how your equipment was down. The late Mr. Hays did a lot of good work on the Grand Trunk, double-tracked the road from Toronto to Montreal, with heavy double track.

Mr. FAIRWEATHER: A double-track railway runs down just as fast as a single-track.

The CHAIRMAN: Doctor McGibbon, excuse me, the reporter is not hearing what you are saying.

Mr. HEAPS: Neither is anybody else.

Mr. McGIBBON: And the road that runs from Toronto North, and which goes through my town, there has been nothing touched for five years, in regard to bridges and all heavier rails. There has been nothing done since, and I do not think there has been anything done from Montreal to Chicago since, in the replacing of rails and bridges.

Mr. FAIRWEATHER: My dear man, we have replaced practically every mile of rail with heavier rails twice since Mr. Hays renovated that property.

Mr. McGIBBON: Did you replace any bridges?

Mr. FAIRWEATHER: Yes; practically every bridge had to be either replaced or strengthened.

Mr. McGIBBON: It was double-tracked.

Mr. FAIRWEATHER: Yes.

Mr. McGIBBON: From Montreal to Chicago?

Mr. FAIRWEATHER: Yes.

The CHAIRMAN: It was rock-ballasted.

Mr. FAIRWEATHER: We rock-ballasted.

Mr. McGIBBON: You put that in as maintenance, not capital.

Mr. FAIRWEATHER: We rock-ballasted portions of it as capital. Now, a portion of heavier rail is capital, too.

Mr. McGIBBON: Half and half?

Mr. FAIRWEATHER: The creosote ties is a maintenance charge, and we have put in this property, something over \$11,000,000 in creosote ties.

Mr. McGIBBON: What I am trying to get at is this: how much of an expenditure was included in the figure given by Sir Henry Thornton last year?

Mr. FAIRWEATHER: All the capital portion of it?

Mr. McGIBBON: That would be about what per cent?

Mr. FAIRWEATHER: Well, capital expenses cover a great range of things. The net capital expenditure of the Canadian National Railways, was \$419,000,000. Now, that covered a great many things.

Mr. McGIBBON: The maintenance was only seventy.

Mr. FAIRWEATHER: The excess maintenance was seventy.

Mr. McGIBBON: The great bulk, after all, went into capital.

Mr. FAIRWEATHER: No, not in that sense.

Mr. McGIBBON: \$430,000,000 of it is.

Mr. FAIRWEATHER: We are talking of two things, Dr. McGibbon, and if you analyze that capital expenditure, you will find it is divided under a great many heads. For instance, in the expenditure on branch lines, you certainly cannot charge that to the picking up of deferred maintenance. A great deal of that money went into construction of branch lines; a great deal more went into the co-ordination of the two properties—or rather, four properties. We had four separate properties to draw together. To operate that efficiently, we had to spend a lot of money connecting them and making their facilities useful to all. And you cannot compare that with deferred maintenance.

Mr. McGIBBON: I am just taking your own figures. Sir Henry Thornton has given figures to show that the capital expenditure was not greater than the others; you say the capital expenditure was \$430,000,000.

Mr. FAIRWEATHER: Yes.

Mr. McGIBBON: You also stated you had \$11,000,000 that was deferred maintenance. Now, that is only seventy, compared with four hundred and thirty.

The CHAIRMAN: If you will look at page 28, you will find an allocation there of \$419,000,000, and some odd, allocated to four headings. All I can say, Dr. McGibbon, that without the analysis of the \$419,000,000, and a division of it between works which were extensions, co-ordinations and the provisions for new equipment, and things like that, I do not see that you can make any comparison between the \$70,000,000 and the \$419,000,000.

Mr. McGIBBON: Except this, that the \$70,000,000 is Sir Henry Thornton's figure of last year.

The CHAIRMAN: I do not think they have any connection, because his figures of last year were capital expenditures.

Mr. McLAREN: Probably this may clear up Dr. McGibbon's question. For the nine year period, we had expenses for maintenance of way amounting to \$397,000,000, and for maintenance of equipment of \$423,000,000. It is in those two figures that Mr. Fairweather is referring to that includes the \$70,000,000 charge, and that goes to make up a net deficit in that period of \$132,000,000 for nine years, or an average deficit of roughly \$15,000,000.

Mr. McGIBBON: Your figures are published.

Mr. McLAREN: Well sir, the question you started with, I think was a comparison of the capital expenditures compared with other roads. Mr. Fairweather was bringing out the point that in this deficit of \$132,000,000 for the nine year period, there is a charge roughly of \$70,000,000 for deferred maintenance which came in the amalgamation period that should have been taken care of prior to 1923.

The CHAIRMAN: Thereby increasing the \$132,000,000 deficit.

Mr. McLAREN: Right.

The CHAIRMAN: Shall we go on with this analysis, or have you any further questions on that point?

Mr. McGIBBON: Not just now.

The CHAIRMAN: Shall we take up the annual report in the absence of Sir Henry Thornton? I do not see any reason why we should not. We have with us an analysis of the operation of the road, and copies have been distributed to the members of the committee. If there is no other collateral business, we shall take up the annual report.

Mr. STEWART: Do I understand you are going into the house transaction?

The CHAIRMAN: If it is the wish of the committee. I am not promoting it. We have not dealt with that, but if it is the desire of the committee to deal with the question of the house, we may do so at once.

Mr. STEWART: How long would it take to get all the documents?

The CHAIRMAN: I should think we can ask the management to produce a copy of the resolution passed by the board of directors, along with any information that has been reduced to writing in the matter under submission, and a memorandum which would cover the whole transaction, for the information of the committee. I think that is comprehensive enough to cover it, and we can consider it when we get it. Will somebody make a resolution along that line?

Mr. STEWART: Yes, I will.

The CHAIRMAN: Mr. Stewart moves that the management be requested to submit to the committee as soon as possible a copy of any resolution passed by the board of directors in relation to the transaction and any other information that is of a written character, and a memorandum covering the whole transaction. Is that comprehensive enough?

Mr. DUFF: To the committee as a whole.

The CHAIRMAN: To the committee as a whole; it has nothing to do with the subcommittee as appointed. Shall we take up the annual report, or is there any other collateral matter upon which the committee would like to give directions at this time.

Mr. MACMILLAN: Mr. Chairman, there is a matter of passes that are handed out by the railways. I understand passes are scrutinized by the Railway Commission; but they get over the issuing of passes by issuing tickets, in the form known as D. 45. I think the C.P.R. are in the habit of passing out those passes also. I should like to get a return of the number of D. 45 tickets issued by the Canadian National Railways issued in the last three years.

The CHAIRMAN: This is a matter, gentlemen, which I think is bound to come before this committee, and I have had the opportunity to so inform Sir

Henry Thornton. I asked him to have a statement prepared, but I should like to call your attention first to the provisions of the Railway Act. It is a matter of statute, applicable to the Canadian National Railways as well as the Canadian Pacific Railways. Section 345 is the section, and it might be just as well to read the section into the record, and the committee will know what parliament intended in this regard. Section 345, chapter 107. (Reading.)

Section 345.

Nothing in this Act shall be construed to prevent (a) the carriage, storage, or handling of traffic, free or at reduced rates, for the Dominion, or for any provincial or municipal government or for charitable purposes or from fairs and expositions for exhibition thereat, or the carriage free or at reduced rates, of destitute or homeless persons, transported by charitable societies, and the necessary agencies employed in such transportation, or the carriage at one half the regular single fair of ministers of religion, or persons exclusively engaged in charitable, religious, or eleemosynary work.

(b) The issuing of mileage, excursion, or commutation passenger tickets, or the carriage at reduced rates, of immigrants, or settlers and their goods or effects, or any member of any organized association of commercial travellers with his baggage.

(c) Railways from giving free carriage or reduced rates to their own directors, officers, agents, and employees, or their families, or to former employees of any railway or for their goods and effects, or between points within the province to members of provincial legislatures or to members of the press or to members of the Interstate Commerce Commission of the United States, and the officers and staff of such commission and for their baggage and equipment or to dependent members of the families of members of the Senate, and House of Commons of Canada, and members of the board and such officers and staff of the board, as the board may determine, and for their baggage or to such other persons as the board may approve, or permit; or

(d) Railways or transportation companies from exchanging passes or free tickets with other railways or transportation companies for their officers, agents, and employees and their families, goods and effects, or from issuing passes or free tickets to officers and employees of the Department of Railways and Canals, or their families, and their goods and effects, or a similar interchange of passes or franks with or by telegraph, telephone and cable companies.

(e) Railways from giving free carriage to the Governor General and staff, and families and baggage and equipment.

Provided that the carriage of traffic by the company under this section may, in any particular case, or by general regulation, be extended, restricted, limited, or qualified by the board, and the board, in or by any order or by general regulation, may prescribe the forms to be issued or used by the company for the carriage of traffic at free or reduced rates under this Act, and the terms and conditions applicable thereto, and the records to be kept by the company of all such traffic carried and of all passes, free and reduced rate transportation issued or given by the company, and shall require the making of periodical returns duly verified by affidavits to the board in respect thereof, and it shall be the duty of the board to examine such returns with a view to seeing that the law has been observed.

2. Whenever the board sees fit, it may require the company to grant and issue commutation tickets at such rates and on such terms as the board may order.

Now, there is the law.

Mr. BOTHWELL: What is the number of the section?

The CHAIRMAN: Section 345, chapter 107. I understand there has been no amendment to that, but that is subject to checking by the law clerk, who is present. That is the law, gentlemen, and there is the problem that is raised by the charges that have been made in the Senate and outside. If you will refer—

Mr. DUFF: What were the charges?

The CHAIRMAN: Well, Senator Black made a speech in the House on the 16th March, 1932. If you will look at page 131 of the Debates of the Senate of Wednesday, March 16, you will observe the following.

Mr. BOTHWELL: 1932?

The CHAIRMAN: This very last month. On page 130 the speech is as follows:

“Now, I come to another question that affects the railways and the country as a whole, and that is the system which we have here—and it prevails all over this continent—of issuing passes.”

It is a very long extract, and I do not know whether the committee would like to hear it read or not. I will give you the citation, anyway. At page 131, he gives certain concrete illustrations of what he represents to be an abuse of the system. I am not passing any judgment on that at all, I am just offering this information to the committee, for what it is worth. I should not like to see a discussion continued to-day on this question in the absence of Sir Henry Thornton, because I have no doubt he would like to be present, and to make his defence if any is required. I do not say that he is on trial at all, but I want to be, as far as I am concerned, scrupulously fair to him, and I believe that every member of the committee does also. I would suggest that we do not go into the matter in any detail to-day. It has been brought out, and I would suggest that discussion be returned to at a later stage, when Sir Henry Thornton is present. This suggestion is offered in all good will to the committee, but there is no reason why this committee, in the pursuance of the discharge of its duties, should not ask for full information as to how the provisions of the Railway Act have been observed by this company and the other company.

Mr. DUFF: Did Senator Black charge abuses had been carried on in the business?

The CHAIRMAN: It is a matter of opinion what he did say. I am not reading the whole thing.

Mr. MCGIBBON: Why not read it?

Mr. MACMILLAN: Are they limited to 40 minutes in the Senate?

The CHAIRMAN: No, I do not think they are. It may be just as well to read it.

Mr. POWER: If we are going to investigate this matter, we might as well put the charge on the record.

The CHAIRMAN: I am not calling it a charge—a statement, at any rate, which he made. I might say to gentlemen of the committee, that as chairman of this committee, I have received a good many communications from members of the public in regard to what they claim to be abuses of this system, with respect to transportation on the railways, and that it is one of the contributing reasons why the railways are in the position in which they find themselves to-day. It is a natural sequence, if there is an abuse of the privilege, that it has a detrimental effect on the earnings of the railway; that, of course, if one of the things they complain of. If it is the wish of the committee that I should read the speech or the extract from Senator Black's speech, I shall do it.

Mr. STITT: Put it on the record; never mind reading it.

The CHAIRMAN (reading):

I do not believe that the giving of passes is a good thing. Members of parliament travel free, not by virtue of having passes, but by law; nevertheless, in the eyes of the public they travel on passes. I am quite willing to admit that probably there are very few men who get more real use out of their transportation than I do, for my business keeps me on the train a good deal of the time; but if, in the interest of economy and to do away with what I regard as a very great evil, it were necessary that members of Parliament do without free transportation, I would say by all means let us do without it. If desirable each and every senator or member of the House of Commons could be given a travelling allowance based on the average cost of the transportation now provided for members of parliament.

Honourable gentlemen are aware, I suppose, how the system of passes in vogue in the United States and Canada operates. In this country free transportation is granted under certain conditions drawn up by the Railway Association of Canada. A similar arrangement is in existence in the United States, and the two organizations work together almost as one.

I do not know what he means by that; that is a general agreement between the railways. Is that the idea?

Mr. HUNGERFORD: Yes.

The CHAIRMAN: Outside the Railway Act?

Mr. HUNGERFORD: No, within the railway.

The CHAIRMAN: (reading)

The general basis is this: if a man employed on a railway in Canada, whether as a sectionman, or a brakesman, or otherwise, has served one year, he is entitled to three passes over the territory within a radius of 1,500 miles; after two years' service he is given four free passes; after the third year five, the fourth year six, and the fifth year seven. After three more years he is entitled to one foreign pass, which will take him from the Atlantic to the Pacific, down the coast to California, and back by some American roads into Canada. After a man has been employed for ten years by either of our railways he receives a pass for himself and his wife, which is good every day in the year in the region in which he resides. After fifteen years he is given, for himself, and his wife, the same privilege extending over two regions. After twenty years or more he has a free pass for himself and his family, good year in and year out, all over Canada, in addition to which he receives yearly foreign pass if he desires to use it. I do not find any fault with the railway employees for making use of these passes. They are quite entitled to do so in every respect, because they do it under the regulations of their own organizations and with the consent of the government, though not by law.

Possibly that statement is not quite accurate.

Mr. FRASER: Is that a regulation of the Board of Railway Commissioners?

The CHAIRMAN: No; it is a regulation of the Railway Association of Canada.

Mr. FRASER: And it is authorized by the Board of Railway Commissioners.

Mr. SMART: It is more or less an agreement between the railway companies as to what they should do; but it is always within the Act; it is always within the requirements of the Railway Commission.

Mr. MACMILLAN: These abuses that the Senator is speaking of, and what you are reading from, are they passes or tickets?

The CHAIRMAN: Passes.

Mr. MACMILLAN: D. 45 is the form I have reference to.

The CHAIRMAN: I do not know what D. 45 is.

Mr. MACMILLAN: I understand that is a form. Is that correct? Is D. 45 your form? Have you a form known as D. 45, a ticket that is given out?

Mr. HUNGERFORD: I cannot answer that offhand. I do not know.

The CHAIRMAN: I understand this refers only to passes which are regularly issued, and are within the operation of the law, and the regular regulations made under the law.

Mr. MACMILLAN: It is the ticket business I am particular about.

The CHAIRMAN: (reading)

The Railway Act says that nothing in this Act shall prevent the giving of these passes, and when the railway managements, with the Railway Association, make up their schedules and issue the passes, I do say, however, that in periods of depression there is nothing which makes the ordinary man in the rural district feel more resentful than the fact that his neighbour and his neighbour's wife and son and daughter are going up and down to the market towns free of cost.

Hon. Mr. LYNCH-STAUNTON: Can the honourable gentleman say as a matter of fact whether they get reduced prices for meals on the trains?

Hon. Mr. BLACK: I prefer not to touch on that now.

Let me illustrate what I mean. A young man working on a section of the railroad receives perhaps \$3 a day, and the man next door—he may be this man's father, his brother and his cousin—who works on a farm gets \$1.50 or \$2, and thinks he is lucky to get it in these times. But there is a further difference. When the chap who works on the railway wants to go to the neighbouring town, or to market, where he can get things very much more cheaply because of chain stores and that sort of thing, than he can at home, he travels free, and he takes his wife with him, and brings home his truck, whereas his relatives and chums have no such privilege. They resent it. I know intimately what I am talking about, because this has been thrown up to me time and again. I hear it almost daily when I am travelling in my own locality, and I am satisfied that any honourable gentleman who goes about the country very much is aware that there is a real feeling against the railways and the railway employees because of this free transportation, which costs millions of dollars yearly.

Let me tell you of two instances that I saw with my own eyes. Not very long ago, on February 28, to be exact, there was a special train put on, not far from here—I can name the place if you want me to—to take some people to a hockey match. It was a rough night and that train was not as well patronized as might have been expected. There were 116 passengers on the train, and of that number 72 were travelling on passes. In other words, 72 were employed by the railway, or were in some way connected with it, or had a father, brother, or other relative who was connected with it.

Another case that I have in mind is this. I got into a train in December, 1930, and went into a first-class car: it was filled up. There were two men; the rest of the passengers were women and children. I noticed that they had baskets with them. Undoubtedly they contained their lunches. It is easy to recognize a lunch basket. I was looking to see whether any of my friends were on the car, but these people evi-

dently had come from beyond my territory and I did not know any of them. I asked the conductor who they were and where they were going, and he informed me they were going to Moncton to do their Christmas shopping. I said: "Have they hired the car? They look as if they were going to live in it for the day." He said they had not, and then I remarked: "I suppose they are all travelling on passes." He said they were. That car, which could accommodate about eighty persons and had about seventy in it, was dropped off, and on the return journey was picked up again and taken back to the place from which it came. You cannot blame those people at all. They were the wives and children of men working for the railway, and were quite within their rights in going to Moncton to do their Christmas shopping. But what do the other men and women who live in the same town with them think? They travel 120 miles free—that is about the distance that particular car went—but have to pay for a return ticket \$5.85, if I am not mistaken. That is not a large amount, but if you multiply it by sixty or seventy, and if such an incident occurs once or twice a week, it becomes a matter of some magnitude.

What is the pleasure of the committee in regard to this matter?

Mr. POWER: I would suggest that the matter be dealt with by Senator Black moving in the Senate that there be an amendment in the Railway Act, providing thereby power to correct those abuses. It has nothing to do with us. It is a matter for the department to decide whether they are going to enlarge the scope of railway passes or restrict them.

The CHAIRMAN: It is a matter of policy for the companies themselves.

Mr. POWER: I do not think it has anything to do with us.

The CHAIRMAN: Mr. MacMillan raised the point. If it is true, it is important, that the railway management handed out free transportation over and above the Railway Act.

Mr. MACMILLAN: I understand, in fact one of the officials of the Canadian Pacific Railway told me that they were handing them out, and I want to know to what extent this practice is going on.

The CHAIRMAN: Would it be fair to put this to the management; that at a subsequent session of this committee, they hand to this committee a memorandum indicating to what extent, if any, they have gone beyond the provisions of the law. So far as I am concerned, if it is true, it may be a very expensive thing for the railways. There is a local angle to this matter too, which affects the community. In the city of Moncton there is a large mail order house which does an over-the-counter business. If you travel on the train from Fredericton to Moncton, especially in certain seasons of the year, you will find a very large amount of passenger traffic going into Moncton for the purpose of making those purchases.

Mr. POWER: That right is a Maritime right; derived from the Intercolonial Railway. It is a Maritime right they have enjoyed for generations, and you must not deprive them of it. If you do, there will be a revolution.

Mr. MACMILLAN: I think the information should be available. I should like the railway companies to give us the information as to the number of those passes or tickets, not passes. I do not want to confuse the pass business with the ticket abuses. Whether it is within the Act or not, I do not know. I should like to know the number of tickets that the Canadian National Railways has handed out in the last few years.

The CHAIRMAN: Cannot you make a general statement as to the amount of transportation?

Mr. MACMILLAN: We can get it from the C.P.R.—

The CHAIRMAN: I do not know; we have no jurisdiction over the C.P.R. What you want to know is the number of transportation facilities, if you put it that way, that have been handed out over and above that which comes within the Railway Act, and translated into money, what is the cost to the country, in other words?

Mr. McGIBBON: Might I make a suggestion, which is, that you also include the passes that have been issued for transportation on boats to the West Indies, etc.

Mr. MACMILLAN: Get the whole works.

The CHAIRMAN: I would suggest we leave that until we come to the question of steamships.

Mr. McGIBBON: Except you might get the whole return at once.

The CHAIRMAN: That is merely my suggestion. It is for the committee to decide what they want.

Mr. MACMILLAN: Do you want a motion to that effect?

The CHAIRMAN: Yes. I do not want it to come from the Chair; I am trying to further what you want.

Mr. MACMILLAN: I would move that the railway company furnish this committee the number of tickets, I think it is form D. 45, that they have issued in the last three years, giving the figures by years, and the amount of money that would be involved had the regular rates applied to the issue of tickets.

The CHAIRMAN: Is that the wish of the committee?

Mr. BEAUBIEN: Before it goes through, may I suggest this: if this committee is going to investigate violations of the Railway Act, I think we are away beyond our jurisdiction, because I think it is unfair to bring forward to the public the amount of railway tickets, in violation of the Railway Act that the Canadian National Railways are issuing. I understand they do issue tickets in the way of advertisement. I understand they give—if my information is incorrect I would be very glad to be corrected by Mr. Hungerford—passes to the press—

The CHAIRMAN: That is all within the law. They have always been extended the privileges of passes.

Mr. BEAUBIEN: I think it is unfair to ask one railway system, because it is under public ownership, to give this information. If you are going into the question, why not investigate the whole violations of both railways. I do not think it is fair to the Canadian National Railways. I have no objection to the investigation at all. If the Canadian Pacific Railway and the Canadian National Railways are violating the Railway Act, I think we should know it, and I think Parliament is entitled to know it. I think we are going too far by asking one railway company in Canada to bring all this information, and not having any jurisdiction to ask the information from the other railway. I do not think it is fair; I think we are going just a little too far.

Mr. MACMILLAN: This is not an investigation at all. All I have asked, and all the resolution asks for, is information in regard to those tickets. There is something in what my friend says about the C.P.R. Apparently we have no jurisdiction over the C.P.R. If we get this information from the C.N.R., then we can probably get somebody to get it from the C.P.R.; I think it is only fair it should be done.

Mr. BEAUBIEN: Might I suggest to Mr. MacMillan, if this information is brought forward by the Canadian National Railways to this committee, it will go on the record.

Mr. McGIBBON: That is where we want it.

Mr. BEAUBIEN: If it goes into the record, it will go about the country. If it gets out to the public, the public will get it in this way, that the National Rail-

ways are violating the Railway Act as to rates, and they have thereby lessened the revenue of the Canadian National Railways. If we are going to have an investigation, I repeat again, on the violation of the Railway Act, let us have that investigation by the Committee on Railway, Canals and Telegraph Lines. If we are going to be fair, I think that is fair.

The CHAIRMAN: Of course, that is not the motion.

Mr. BEAUBIEN: That is practically the motion.

The CHAIRMAN: The motion is to ask for information. That is the point. If there has been no violation, they might answer there has been no violation of the Act.

Mr. BEAUBIEN: He is asking for the number of tickets used.

The CHAIRMAN: Yes.

Mr. BEAUBIEN: If we ask the railways if they have issued tickets in contravention of the Railway Act as it reads, and they say "No," that is all right. If they say "Yes," you are asking for the numbers in violation of the Railway Act; and to do that to the Canadian National Railways I do not think is fair. That is my opinion.

Mr. MACMILLAN: I do not know it is in violation of the Railway Act. My friend may be a lawyer, and he may know more about it than I do. I cannot say whether it is a violation of the Railway Act or not. I am asking a simple question, and that is all. I am simply asking the railway company, which is a great charge upon this country, and the Canadian Pacific Railway are getting in the same position. We are appointed by parliament to carry out, as far as we can, in the limited time at our disposal, some sort of an investigation into this matter. It is a well-known fact that charges are laid against the Canadian National Railways. I am the best friend the Canadian National Railways have—perhaps they do not think so, but I am. There have been rumours of extravagance in certain directions in the railway, and the committee that can put some of those things right are doing a great service to this country when they put them right. If this transportation has been handed out in a promiscuous manner to any large extent by both of those railways, perhaps this is one place where we can block up a big hole.

The CHAIRMAN: I see no objection to the information being asked for.

Mr. BEAUBIEN: I object to information being broadcast.

The CHAIRMAN: That is a matter for the committee. They may decide not to broadcast it.

Mr. BEAUBIEN: How are you going to avoid broadcasting it?

The CHAIRMAN: We avoided last year broadcasting it. If it had been broadcast, probably it would have saved some money for the public. It was held that they were not entitled to it, but I am not so sure.

Mr. BEAUBIEN: My friend made an observation in regard to my being a lawyer. I am not a lawyer.

The CHAIRMAN: Mr. Hungerford has observed to me that both roads ought to be on the same basis. I agree entirely with that. I do not see how we can do it, except by this way: we have jurisdiction over the National Railways; we have none over the Canadian Pacific, but we can make a recommendation to parliament that the Railway Board should look into the question of the C.P.R. and undoubtedly they have jurisdiction—to see whether their rules and regulations and laws have been violated. I think we shall leave it at that.

Mr. BEAUBIEN: If that is your suggestion, along with the suggestion of Mr. Power, would it not be just as well to allow the matter to stand as it is, and make a recommendation to parliament for the Board of Railway Commissioners to investigate it.

The CHAIRMAN: How are you going to make a recommendation? On what basis will you make a recommendation unless you know what the fact is? Now, if there is no abuse, that is all right. If there has been no violation of the law, no harm has been done to the National Railways or anybody else. If there has been a violation of the law, then this committee can deal with it. As it is, we can only deal with it by a recommendation to parliament, asking that the Board of Railway Commissioners go into the matter and clean it up, if there is a situation to be cleaned up. That is all we can do about it.

Mr. BEAUBIEN: The point I want to make is this: I have no objection to the investigation going on; none whatever. It is perfectly proper; but I do not think it is fair to have one railway system bring out the information, unless you get the information from both railway systems. I do not doubt they have been violating the Railway Act, and quite properly so, in some instances. It is not a moral sin. This is the only objection I have: the information will be obtained from one railway only.

The CHAIRMAN: I have tried to point out the lack of jurisdiction on the part of the committee. I see no objection to the information being asked for by Mr. MacMillan being forthcoming. I think the railway company, in its own interest, ought to produce the information. If the answer is in the negative, as far as this committee is concerned, that ought to be satisfactory. If it is in the affirmative, and the law has been violated by a custom which has grown up over a period of years, and we come to the conclusion the law has been violated, we can make a proper recommendation to parliament, and I have no doubt that evil will be cured. The best cure for evils of this character is a little publicity. What is your pleasure in regard to the motion?

Carried.

Gentlemen, it is nearly one o'clock. Shall we take up anything else this morning?

Mr. MUNN: At the next meeting I should like to have some information from the officials in regard to tie contracts which were placed this past year.

The CHAIRMAN: There is no reason why they should not produce that.

Mr. MUNN: The railway committee, I think, authorized the purchase of something like 2,000,000 ties. I should like to have an idea as to the amount of ties purchased, and what price was paid for them, and how many had been delivered.

Mr. BEAUBIEN: Might I ask that the officials of the Canadian National Railway give this information. I have had a lot of correspondence, and there have been rumours in the country as a whole, substantial rumours, in regard to improvements to the Chateau Laurier or changes that were made in the Prime Minister's house. I should like to ask who it was requested by, and what was the cost.

The CHAIRMAN: What he pays?

Mr. BEAUBIEN: What he pays.

The CHAIRMAN: As far as I am concerned, you can have the information. You will find it will be entirely satisfactory.

Mr. BEAUBIEN: I am not saying it is not, but I would like to have it to do justice to the Prime Minister.

Mr. CHAIRMAN: I am quite sure you are actuated by that desire.

When shall we meet again?

Mr. STEWART: At the call of the chair.

The CHAIRMAN: Sir Henry is ill; I am not very keen to go on in his absence. He wants to be here himself, and in deference to him, I think we ought not to

go too far in his absence. What would be a convenient day? Next Tuesday? Of course, we ought to remember this; the session is getting on; we shall have to do very intensive work.

Sir EUGENE Fiset: Once we have gone through those special questions asked here, I do not suppose we are going to go through the whole report as we did last year—

The CHAIRMAN: I do not see how we can.

Sir EUGENE Fiset: I think it will be quite satisfactory to this committee,—after we have the answers to those special questions, I think we can bring the proceedings of this committee to a conclusion very quickly.

The CHAIRMAN: There is always this to be considered: that there is at present a commission functioning, and they are dealing with, to a great extent, many of the problems that quite properly come before this committee. I had hoped, because of that, the deliberations of the committee might be shortened.

Mr. POWER: It would be—

The CHAIRMAN: I have been given to understand that they have made a very intensive study of the problems in relation to transportation, and I am also informed by Mr. Hungerford that they are exercising their functions. Shall we sit this day week?

Mr. BEAUBIEN: At the call of the chair.

The CHAIRMAN: All right.

Committee adjourned at the call of the chair.

ROOM 231, HOUSE OF COMMONS,

April 19, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Mr. Hanson presiding.

The CHAIRMAN: Gentlemen, I am sure we are all very glad to welcome back Mr. Chaplin and to see him in such good health. As is well known to everyone, I am merely his locum tenens, and since he has returned from his trip to the coast I would be delighted to resign the chair in his favour. I ask the committee to act in the premises.

Hon. Mr. CHAPLIN: These remarks perhaps call for a word from me. I have no wish to have the committee do any such thing. I am sure the committee are carrying on to the very best advantage. I will be glad to retain my membership in the committee and do anything I can to aid its work, but I am not in a position and do not want to be worried by the chairmanship.

The CHAIRMAN: We all realize that if Mr. Chaplin had not been obliged to go west he would have been chairman of this committee. I have another committee, not a very onerous one. I certainly would be delighted to resign as chairman here. I would like to know what the committee desires done in the matter. I am tendering my resignation as chairman.

Sir EUGENE Fiset: We do not accept it.

The CHAIRMAN: Well, gentlemen, I will do the best I can with the support of the committee.

I think we should now take up the regular agenda of the committee, that is, consideration of the annual report of the system for the year 1931 and the estimates for the year 1932. Other matters are more or less collateral, but I think we should now start in on this regular work with a view to getting through. I have in mind when I say that, that a great many of the matters which this committee have in the past had to consider, and will have in the future, are this year being considered by the Royal Commission. It seems to me it would be more or less duplication of work for us to take them up. But I do not want that remark to be construed as shutting out anybody in the committee who desires to bring anything before the committee. The Royal Commission of course have a permanent secretariat which has been in constant communication with both railway systems collecting and collating an immense amount of data and putting it in shape for their report.

So if it is the wish of the committee we might take up this morning the annual report of the system. This I understand has been distributed and I presume has been read by all. What is the wish of the committee?

Mr. STEWART: Proceed as outlined by you.

The CHAIRMAN: If the members of the committee read the letter of the chairman and president to the Minister of Railways, it seems to me that is a very full document and one that should be gone over with a great deal of care by the committee. I will ask Mr. Fairweather to read the opening part of the statement by the chairman and president.

Mr. FAIRWEATHER (reads):

MONTREAL, March 24, 1932.

To the Hon. R. J. MANION, M.D., M.P.,
Minister of Railways and Canals,
Ottawa, Ont.

SIR,—On behalf of the Board of Directors, I have the honour to transmit the report of operations and affairs of the Canadian National Railway System for the calendar year 1931. The report consists of three sections as follows:—

- (1) The financial results and statistics of the Canadian National Railway System excluding Eastern Lines.
- (2) Financial results and statistics of the Eastern Lines as defined by the Maritime Freight Rates Act, 1927.
- (3) Combined income statement of the System including Eastern Lines.

The consolidated balance sheet and the schedules thereto include the Eastern Lines with the exception that, in accordance with the provisions of the Maritime Freight Rates Act, deficits resulting from the operation of the Eastern Lines have been excluded from the Canadian National results. The accounts have been examined by chartered accountants representing the Dominion Government and have been certified to as exhibiting a true and correct view of the affairs of the System.

For the third successive year the operations of the Canadian National System reflect the effect of the world-wide business depression, which first appeared in July, 1929. Since that date the trend of traffic receipts has been continuously downward. The year 1929 showed a decrease as compared with the previous year of 5.53 per cent; the year 1930 was 17.22 per cent below 1929; the year 1931 20.28 per cent below that of 1930. The operations of the System at the close of 1931 reached a level of 37.65 per cent below 1928. The depression is so wide and involved that a discussion of its causes and suggested remedies can form no part of this report. It is sufficient to say that the depression is probably without parallel in its intensity, and as a result those responsible for the administration of the property have been faced with a problem of unprecedented difficulty in adjusting services and expenditures to the rapidly changing traffic conditions.

The operating revenues during the year 1931 showed a reduction of \$45,095,810.15 as compared with the previous year, a decrease of 20.3 per cent, closely in conformity with the experience of the more important railways on the North American continent which showed a decrease of 20.7 per cent. To cope with such a decrease in traffic, following substantial decreases in the two previous years, while at the same time to maintain the property in reasonably efficient condition and to provide transportation services essential to the country, called for extraordinary measures of economy. Salaries, rates of wages and hours have been reduced; the staff of employees has been decreased; many agency stations have been closed; a severe curtailment of train service has been instituted and capital expenditures have been curtailed. A program of extraordinary economies was introduced progressively as the situation developed and the effect will be manifested more completely in 1932 than in the year under review. The management has so far endeavoured to avoid the accumulation of such deferred maintenance as might constitute a serious future liability on the property.

The effective budgetary control of expenses inaugurated during the previous year, was further strengthened in 1931 by the formation of a Finance Committee composed of three directors expressly charged with the close scrutiny of all expenditures, and it may be said that all officers and employees of the Company are aware of the dangers and difficulties arising from the present situation, and are loyally and continually devoting their best efforts to secure a maximum of economy.

There was a decrease in operating expenses of \$26,085,904.93, 13·3 per cent as compared with 1930. The average reduction in expense of Class 1 roads in the United States was 17·9 per cent, and as it is more difficult for a system with low traffic density than for a system with high traffic density to reduce expenses, the percentage reduction achieved by the National System during the year 1931 compares favourably with the experience of Class 1 roads of the United States which enjoy twice the traffic density of the Canadian National System. There is, of course, a vast difference in the extent to which operations of railways, as compared with other industries, can be curtailed. In times of depression most industries can close unprofitable branches to effect a necessary reduction in expenses, as there is always a close relationship between production and consumption; on the contrary a railway must give a reasonable service to the public each day throughout the year, if serious inconvenience is to be avoided.

While conditions arising from the depression have had a profound effect upon Canadian business, and have produced a crisis in transportation affairs presently under review by a Royal Commission, it should be remembered that Canada is favoured among the nations of the world; that the future of our country rests upon sound foundations, that its potential resources are unimpaired.

Mr. STEWART: Last year I think there was some statement made by the management that arrangements were being made with the other railway whereby they would be enabled, by their new express rates and other arrangements made, to compete more favourably with the autos and bus express rates. Have you made any further arrangements, and have you been able to compete any more successfully than in previous years?

Sir HENRY THORNTON: The answer is that some progress has been made. The two railways are working in accord with a view to retaining as much traffic to the rails as compared with that which has gone to the highways as possible. We have tried with success the experiment of moving on local passenger trains less than car-lot freight. We have adjusted the time of certain freight trains in order to give quicker delivery and meet more effectively the highway competition. And we have under consideration with the Canadian Pacific Railway still more far-reaching and important methods of dealing with the situation. Those are still under consideration.

As far as competition with highways goes, the plain fact is that there is only one way to compete, and that is to compete. What I mean by that is, it is no good for the railways to expect to retain traffic to their lines if they offer a service which is not commensurate with the highways, because obviously the instrumentality which offers to the shipper the best service gets the business. So when I say that there is only one way to compete, and that is to compete, it means by measurably meeting the character of the competition.

Hon. Mr. EULER: You do not necessarily mean that you might go into the same method of transportation?

Sir HENRY THORNTON: That may be, that is exactly what I do mean. One of the avenues which we are exploring now, and one of the methods under consideration is to meet highway competition with the same character of service, both collection and delivery.

The CHAIRMAN: Before you do that, will you not have to get the provincial jurisdictions to pass proper regulatory legislation?

Sir HENRY THORNTON: That is undoubtedly true. My own personal views, for what they are worth, are simply this, that in meeting this situation those who use the highways should be obliged first to pay such a charge for the use of the highway as is commensurate with the use they make of it. In other words I see no reason why those who use the highway should be provided, either at the expense of the province or the state, with a highway free of charge, or substantially free of charge. In other words, if some individual is going to use the highway for transportation purposes he ought to pay some charge commensurate with the use he gets from it.

Secondly, the vehicles which use the highway for commercial purposes should be limited both as to size and speed, first to prevent undue destruction of the surface of the highway, and secondly, not to interfere with the reasonable use of that highway by others who use it. For example the size of a truck or commercial vehicle which uses the highway should be somewhat less than half the width of the travelled highway, in order that other vehicles may pass it with safety and convenience.

Thirdly, the rates, both for passengers and freight, which are charged by companies using the highway, should be subjected to the same review as is the case with respect to railway rates and fares.

Fourthly, those to whom passengers and freight are confided for movement, that is to say those who operate the vehicles on the highway, should be subjected to some reasonable examination to ascertain that their physical condition is such as permits them to use the highway with safety.

Hon. Mr. EULER: Do you think the highways now, generally speaking, are sufficiently wide and constructed strongly enough to carry this heavy traffic?

Sir HENRY THORNTON: I should say in some cases yes, but in many cases no. For example, I suppose all of us have had experience of trying to pass a motor-truck whose width is such that it occupies at least half, or more than half, of the travelled way. It is exceedingly difficult for the private individual driving, say on Sunday afternoon, with his wife and family, to pass safely a vehicle of that sort.

Then again the axle loads on some of these commercial vehicles are of such magnitude that they seriously damage the surface of the highway, and in certain cases strain the bridges perhaps to an unsafe point. It is exactly like a railway. On the railway we have to adjust the axle loads of our locomotives and cars to suit the strength of the bridges on the railway. The same thing is more or less true with respect to the highway.

To go back to what I was saying a moment ago, I think it would be unwise and unsafe to confide a bus-load of passengers to a chauffeur who may be a perfectly good chauffeur but who may be afflicted with heart disease, who may perhaps at any time have an attack of some sort which would jeopardize the lives of others.

The CHAIRMAN: Or might be drunk.

Sir HENRY THORNTON: Well in fact the drunken man is always a danger to the community, no matter where you find him. But as you are aware, on the railway, trainmen and engine-men are subjected to fairly rigid physical examinations to insure that they are in sufficiently good physical condition to carry on their duties both as to vision and colour-blindness and all those physical attributes which they must have if they are to operate trains safely and successfully.

If those four things that I have touched upon were dealt with effectively, then I feel that the railway would be on a fair competitive basis and will then

have to take its chance. I am the last person in the world to advocate any restriction of the use of the highways that is in the interest of the public. I speak for the railways as a whole, not the Canadian National particularly, my feeling is that the competition ought at least to be fair, and when it is fair then we have got to take our chances, and I think if it were reduced to a fair competition we could probably recover a very fair proportion of this traffic which is now going to the highways. But there is no question but what a measurable proportion of the traffic which has left the railways and gone to the highways will stay on the highways, and we cannot get it back. As a matter of fact there is some of this transportation that we would just as leave kiss good-bye and see it go, more particularly short-haul traffic, which is the least remunerative traffic that a railway handles.

This has been a somewhat long dissertation, I hope you will pardon me for going into these details, but that broadly represents the point-of-view, I think, of all railway officers who have given the matter intelligent consideration.

Hon. Mr. MANION: Is it not correct that if you do go into the motor business to a certain extent in competition, that the two railways are likely to go in together in anything they do? Are there not some conversations going on?

Sir HENRY THORNTON: Yes, that is unquestionably true. This is not exclusively a Canadian National problem and it is not exclusively a Canadian Pacific problem, it is a railway problem, in which both the larger railway systems of Canada are vitally interested, and we are endeavouring to solve this problem jointly, and to do jointly that thing which will bring to both of us a maximum of traffic with a minimum of expense.

Mr. GRAY: I do not think anyone need apologize for discussing this at some length, to my mind it is one of the most important subjects we have to deal with. The same thing has been discussed here year after year. If my memory serves me rightly, Sir Henry made much the same statement at last year's sitting. I would like to know what progress we have made towards bringing about the thing he is now suggesting, because my observations are that in the Province of Ontario, at least, not a great deal of sympathy has been aroused along the lines suggested by Sir Henry with the Minister of Highways there. I think the Chairman is right, that you must meet the provinces in the method of regulation and highway control before you can get anywhere. I would like to know what progress you have made with the various provincial governments along the lines you suggest.

Hon. Mr. CHAPLIN: One of the most important things, to my mind, is the matter of control of roads. What have the two railway companies been doing in respect to that? What advance has been made, and what can this Committee do to help the situation?

Sir HENRY THORNTON: We have had conversations with the Canadian Pacific, and we have prepared a policy—I have not been able to give it detailed personal consideration, but I have given it general personal attention, so has Mr. Beatty, both railways are now in a position—I do not know whether they have made direct representations to the provincial governments or not?

Mr. FAIRWEATHER: I do not know.

Sir HENRY THORNTON: At any rate we have agreed upon the representations which ought to be made to the provincial governments and also to the Federal Government with respect to the regulation to which Mr. Chaplin refers.

Secondly, we on the Canadian National have evolved a plan for dealing with the situation which we have now. It has taken some time to work it up because it is not easy to do, especially having regard to the fact that whatever we do we must necessarily avoid as far as possible capital expense, but we have developed what we think is a reasonable and effective solution of the problem, and that has been presented to the Canadian Pacific and is under discussion

between the operating officers of the two systems. I have no doubt that within the next week or so something will be decided upon. I cannot tell you what that is, I do not want to, I hope it will satisfy you to say that both the Canadian Pacific and ourselves are considering that plan with a great deal of interest.

Hon. Mr. EULER: Have your investigations led you to an opinion as to what is the radius of profitable operation of trucks?

Sir HENRY THORNTON: I should say roughly somewhere from 100 to 150 miles.

Hon. Mr. EULER: They run from Toronto to Montreal, right through.

Sir HENRY THORNTON: When you pass a radius of 150 miles the highway becomes at a disadvantage from a competitive point of view and the railway more advantageous. The longer the distance involved in the movement of a package of freight or a shipment, the better is the position of the railway.

Broadly speaking, the principle we have been working on is to use the railway where it is most effective and where it can compete most effectively, namely in long-distance movements, and supplement that with some form of collection and delivery. It is not our intention to go exclusively into the highway business. We want to use the highway in conjunction with the railway which we already possess, making the most out of that implement which we already have. Take the movement of freight between Montreal and Toronto, or beyond that, by way of example, on that with the plan we have in mind we can satisfactorily and effectively meet highway competition. But we cannot effectively meet highway competition for short distances, like 50 to 100 miles. And that is the character of business which is the most unremunerative that the railway handles.

Mr. MACMILLAN: Have you made a submission in this connection to the Royal Commission?

Sir HENRY THORNTON: Yes we have.

Hon. Mr. EULER: Would you say that the advancement being made by trucks in competition with the railways is now at its peak, or is it still increasing?

Sir HENRY THORNTON: I think it will continue to grow, unless the railways are able to check its growth by offering effective competition.

Hon. Mr. EULER: Has the growth been pretty steady and still continuing, or has it reached pretty near its maximum?

Sir HENRY THORNTON: Mr. Fairweather has been making a very intensive study of this whole situation. I think it might be illuminating if you heard his conclusions.

The CHAIRMAN: I have given some consideration to this question myself. I find that all the railways have done is with respect to small package freight and competitive points where there are truck routes they have cut their rates to meet that competition. That is practically the only positive thing that the express companies have done, that means the railways, of course. That has had a very good effect.

Sir HENRY THORNTON: I may add that I admit I do not think the railways have been sufficiently aggressive in recognizing the effect on their earnings of this highway transportation. And while it is true that a certain period of time has got to be allowed for examination and exploration and determining what is to be done, we have got to the point now that the day for talking is over. We have got to get up and do something. That is exactly what I have been trying to bring about. For the last three or four years we have been talking and talking and investigating and investigating, and, quite frankly, gentlemen—this is only my personal opinion—the time has come that we have got to stop talking and

get to work, we have got to try something out and find out what is going to happen. Talking is not going to cure this, we have come to the point where we have got to act.

Mr. MCGIBBON: Can the railway successfully meet the highway rates for short hauls, for passengers and freight?

Sir HENRY THORNTON: In general I think not. I think we have got to make up our minds and recognize the fact that the highway has established itself as an efficient method of transportation for short distances.

Mr. MCGIBBON: If you got the business you would probably lose money on it?

Sir HENRY THORNTON: The short haul business is the least remunerative, for you will readily see that a shipment of freight does not commence to earn money for the carrier until it is on the road on its way to destination. The yard expense and freight-house expense is merely preparatory to putting that package of freight in the position of getting on its way. The longer the movement, the less the proportion of terminal expense to the total rate. That is the reason why long haul business, even at lower rates, is more profitable to the railways than short haul business. Let me say again that I think there is a certain amount of this short haul business, both freight and passenger, that has gone for good. But we must take steps, and take them soon, to prevent any further encroachment upon the revenues of the Company by the luring to the highways of this long haul traffic, which is our most remunerative traffic.

Hon. Mr. EULER: I would like to know from Mr. Fairweather whether the situation is becoming progressively worse, and to what extent? Would you anticipate that you are going to lose still more revenue by reason of this competition?

Mr. FAIRWEATHER: We have been doing our best to collect accurate statistics of the extent of motor-vehicle competition. It is a very difficult job, the most I can say is that, taking Canada as a whole, as near as I can estimate the inroads on our freight traffic arising from the competition of motor-vehicles amounts to \$24,000,000 a year gross revenue. At the present time it is showing a tendency to increase at the rate of about 25 per cent per annum. That is, you take \$24,000,000 this year, if the tendency is continued, it would be \$32,000,000 next year. It is significant that even during the depression, certainly in 1931, the movement of freight by motor-vehicles increased.

But I would like to supplement what Sir Henry has said by a statement of the relationship between motor-vehicle cost, railway cost, and rates, because I think it has a very important bearing upon this subject. We had become accustomed to a monopoly in land transport by railway. Based upon that monopoly we built up a very complicated set of rates, which has a relationship in the long-haul traffic very closely to the actual cost of transport.

Hon. Mr. EULER: Is it not based on what the traffic will bear?

Mr. FAIRWEATHER: Well it is a very complicated subject, sir, but what I am getting at is, it must lie somewhere between the cost of service and what the traffic will bear.

Hon. Mr. MANION: Since you are discussing this subject so widely may I say I have been giving it a little thought, or rather reading. Is not this true, that after you get up to say 30 or 40 miles, in a general way the railway can beat the trucks economically?

Mr. FAIRWEATHER: I was coming to that, sir.

Hon. Mr. MANION: I think it would be worth telling this Committee of the experiment of the Pennsylvania in regard to Philadelphia and New York, which I think is very enlightening, in regard to the costs by railway and motor-truck. You know the one I mean?

Mr. FAIRWEATHER: Yes, of course that is a very specialized movement between very specialized points. But generally speaking the rate structure, which is very complicated, was built up behind a monopoly. If you take our average rate structure, it is quite obvious that of necessity there is a wide fluctuation of rates both ways from the average. The very low rates, which approximates basic cost of service, will be found in the long-haul traffic; the higher rates will be found on the medium and short-distance traffic. It is quite true what Sir Henry has said in regard to short-haul traffic, that, other things being equal, it is less remunerative than the long-haul traffic. But he was speaking more particularly of the less-than-car-load traffic. The car-load traffic would not in general fall into that category. And that is where we come to the crux of our problem, because the railways, acting behind their monopoly wall, have been fulfilling two economic functions; they have been acting as servant to carry goods, and the other is that they have been a creator of economic opportunity, and in doing that they have charged rates a good deal higher than the cost of service, but still a reasonable rate, and using that surplus to carry on transportation at bare cost elsewhere.

Now we come to a new facility, the truck. It has no such monopoly, it is a devil-take-the-hindmost sort of proposition. They find ready for them a field that is a perfect harvest, where the rates, as Dr. Manion has said, are above the cost of service. If you look at the thing from the point of view of cost of service alone, the truck becomes an uneconomic means of transporting freight beyond a radius of about 40 miles. Beyond that, if you look at transportation economics from a national standpoint, it costs this country money to truck on the highways. We are getting luxury service whenever goods are trucked beyond 40 miles. But for a range far beyond that, possibly upto 200 miles, the rate structure is such that on a ton-mile basis the truck can go in and compete. The cost of trucking under average conditions will be found to run somewhere about 7 cents a ton-mile as compared with one cent by railway.

The CHAIRMAN: Does that take in everything?

Mr. FAIRWEATHER: That would take in all costs under average favourable conditions as taxes are at present constituted.

Mr. MCGIBBON: But you would not say a truck can compete, having regard to the cost of the highway, for 200 miles?

Mr. FAIRWEATHER: No, sir, not from the point of view of basis economics. But suppose you have a haul of 100 miles and you have a rate on that of \$8 a ton. The truck as at present operated, without paying adequate taxation and for the up-keep of the highway, could go in there and make a profit.

Mr. MCGIBBON: Without any consideration whatever for the highway?

Mr. FAIRWEATHER: Yes, other than what taxes he does pay.

The CHAIRMAN: Which are very small.

Mr. FAIRWEATHER: Well they vary, but they are not adequate.

Mr. MCGIBBON: But you are not taking into consideration any capital cost of the highway?

Mr. FAIRWEATHER: No sir, but what I am pointing out is that the competition is a false competition. But there is the field there for the truck, and the truck man cannot be blamed for going in and taking advantage of what he thinks is a commercial opportunity. But it is costing this country a lot of money.

Mr. MCGIBBON: You are just referring to the operating costs?

Mr. FAIRWEATHER: The 7 cents would represent under present conditions about what the average truck would cost.

Mr. MCGIBBON: But you are not taking into consideration the cost of the highways or the capitalization of the railways?

Mr. FAIRWEATHER: No, if you put that in it is a great deal more than that. But I am attempting to show that there is a case where there is an apparent commercial opportunity, under the conditions as they exist to-day. And motor trucks go in and develop it. In doing so they are costing this country money, and from the whole transportation point of view the danger is that if this medium haul car-load traffic is taken away from the railways, not only will it cost the country money on that score, but the revenues of the railways will have to be swelled by an increase in long-haul rates.

Hon. Mr. EULER: You mean they are costing money by reason of the fact that they are using the highways free of charge?

Mr. FAIRWEATHER: Practically speaking that is the case. When you look into this matter of highway competition you get some very startling figures. For instance the total cost of railway transport in this country, including the interest on funded debt, etc., is about \$550,000,000 a year. How much do you think we are spending as a nation to-day on highway transport? We are spending over \$900,000,000 a year. We are either spending in cash or committing ourselves in one form or another, in depreciation and interest charges on motor vehicles and things like that, interest charges on the highways, and so on, \$900,000,000 a year, which is almost twice the total cost of railway transport in this country.

Mr. KENNEDY: I suppose these figures include market roads, etc?

Mr. FAIRWEATHER: The \$900,000,000 yes, but market roads and things like that amount to a very small proportion of that total.

Mr. KENNEDY: Does that include passengers?

Mr. FAIRWEATHER: Yes, but when you divide it between freight and passengers, you find the cost of passenger vehicles on the highways runs about \$750,000,000 a year.

Mr. MCGIBBON: Against that how much could you place as representing gasoline, taxes, etc?

Mr. FAIRWEATHER: I have all the figures right here. The revenue from motor vehicle taxation in Canada in 1930 amounted to \$42,819,000. That covers registration fees and gasoline taxes.

It might be interesting to give the detail of that \$945,000,000. The cost of the highways amounted to \$103,000,000 a year. That is the economic cost of maintaining the highway system, for which we collected \$42,800,000 in direct taxation, and \$60,000,000 is just being forgotten about.

Mr. MCGIBBON: What about the gas tax?

Mr. BEAUBIEN: What does that cover?

Mr. FAIRWEATHER: We collect \$20,000,000 in registration fees, and \$22,000,000 in gas tax, making \$42,800,000; but the total economic cost of the highway, to which that money is to be applied, amounts to over \$100,000,000 a year.

Mr. EULER: What about the gas tax?

Mr. FAIRWEATHER: That is an economic figure and includes interest on the cost of highway.

Sir EUGENE Fiset: I suppose you have not the figures by provinces?

Mr. FAIRWEATHER: Not here, but I have them in Montreal. Now, the cost of autos, the economic cost of autos amounts to \$538,000,000 a year.

Mr. EULER: Is it fair to assume that that amount collected for gasoline tax and licence fees is not sufficient to pay for the maintenance of the highways?

Mr. MCGIBBON: Is it not fair to assume then as a fact that the amounts collected for gasoline tax and licence fees are not sufficient to pay the maintenance of those highways?

Mr. FAIRWEATHER: No, I do not think it. That is what I am saying.

Mr. MCGIBBON: That is often questioned.

Mr. FAIRWEATHER: Let me say this, that the \$103,000,000 is made up in this way. There are \$45,000,000 interest charges on the investment in the highways, you see. There is \$21,000,000 a year depreciation on the highways, which is not being covered; that is \$66,000,000. Now, the actual cost of maintenance is \$37,000,000 a year.

Mr. EULER: Does not that maintenance cover depreciation?

Mr. FAIRWEATHER: No, it does not. Maintenance and depreciation together amount to about \$58,000,000.

Mr. MCGIBBON: Is it not fair to say that the highways of the whole of the Dominion of Canada serve a much larger number of people than the railways do?

Mr. FAIRWEATHER: No, I do not think it is fair. I would not like to conceive of Canada or even the Ontario peninsula without railways. I do not think there is a single person in Canada who does not use the railways.

Mr. MCGIBBON: But they use the roads for greater purposes.

Mr. FAIRWEATHER: They use both.

Mr. EULER: You are speaking of everything.

Mr. FAIRWEATHER: This is the total highway cost of Canada, every improved road in Canada; but this is an economic picture of what it is costing this country for the highway system.

Mr. MCGIBBON: But that is not a fair picture.

Mr. FAIRWEATHER: It is perfectly fair. We have thousands of miles of development lines which we are carrying at a loss year by year, simply because settlement has not grown up along them. They are in exactly the same category as back country roads. Back country roads, of course, do not amount to a substantial amount in the total; they amount to a lot of mileage but not so much money. One mile of improved road would amount to as much as 15 or 20 miles of back country road.

Mr. MCGIBBON: Five hundred or a thousand people would use highways or roads where one would use the railway.

Hon. Mr. CHAPLIN: I think Mr. Fairweather's sizing up of what is going on in the country is not very accurate. The other day a friend of mine drove me to a station, not a month ago; he and his wife drove me over in his car. The lady saw your train coming in, and she said, I have not been on a railway car in eleven years. I have been to California, I have been to New Orleans, I go to Florida, I go to Muskoka, and I have been to Quebec, but I have not been on a railway train in eleven years. How many cases are there like that? I think it is well worth thinking about.

Sir HENRY THORNTON: I do not think anyone will set up the claim that highways are not very extensively used for both freight and passengers. What Mr. Fairweather has been exposing is what the cost of these highways means to the country. It may be all right, and it may be justifiable, but at the same time the figures which he has revealed to you represent what the highways of the country cost.

Hon. Mr. CHAPLIN: But let me say that my remarks arose from Mr. Fairweather's statement that everybody in this country was using the railways or was interested in them.

Hon. Mr. MANION: Is it not true, as Mr. Chaplin points out, that that is one of the main reasons why the railways are losing money?

Mr. MCGIBBON: The railways are the backbone of the country.

Mr. FAIRWEATHER: Yes. I simply meant that the railways form the backbone of this country, and if you took away the railways from Canada the country could not continue to function at all.

Mr. BEAUBIEN: Might we have the balance of Mr. Fairweather's figures?

Mr. DUFF: The particular lady spoken of by Mr. Chaplin, her gasoline came over the railway.

Sir HENRY THORNTON: I would like to say this, that in certain sections in Canada, especially in the winter, the railway represents the most effective means of transport, because our winters, which are very severe in certain parts of the country, force the railways into the picture as the only effective means of transportation. In that respect our low temperatures in the winter time are really an asset to the railways.

Hon. Mr. MANION: Mr. Chaplin and Dr. McGibbon and others have been pointing out the great use of the highways by motorists, which everybody admits. Is not that to a great extent the reason why passenger traffic, not only on the Canadian National but on all other railways, has been losing year by year.

Sir HENRY THORNTON: That is quite true, and I am sure you will agree on this, the delegations which come to see you in regard to matters relating to the railways, everyone of them comes in motor cars.

Hon. Mr. MANION: According to the figures given me last year and again this year the losses for all passenger services on the Canadian National were, in 1926, \$4,000,000, the total loss on passenger traffic that year, which I take it was an operating loss; in 1931, last year, it had increased to \$24,000,000, and I think a large proportion of that was due to the competition by motor cars and motor buses.

Mr. FAIRWEATHER: I have here the figures showing the way our transportation divides up between the railway and the highway. On passenger service, steam railways perform 17 per cent of the passenger service of the country; electric railway, 14 per cent; private automobiles, 68 per cent; and auto buses, 1 per cent. You will see there that motor vehicles carry 69 per cent of the passenger traffic, and the steam railways only 17 per cent.

In freight service, the steam railways carry 92 per cent, and the motor vehicles 8 per cent. These figures are for the year 1929.

Mr. MACMILLAN: Mr. Fairweather, what method do you use in arriving at these figures?

Mr. FAIRWEATHER: It is frankly an estimate. Of course the railway statistics we know. The motor vehicles statistics, so far as they relate to buses, were computed from a very careful check of all the bus operations in Canada. So far as they relate to private automobiles, they are based upon certain statistics furnished to us by the provinces.

Mr. MACMILLAN: They cannot be said to be very near?

Mr. FAIRWEATHER: I would say they are only merely representative. There might possibly be 5 or 6 per cent of error, but there could not be much more than that.

The CHAIRMAN: What you say is that they are not official but they are approximately correct?

Mr. FAIRWEATHER: Yes.

Mr. MCGIBBON: How could you estimate the number of trips made in a private automobile?

Mr. FAIRWEATHER: Of course it is based upon a series of checks: For instance, you take a certain highway, and we count all the automobiles passing by a certain point in a certain time, and how many people were in those auto-

mobiles. Then from that, correlated to the gasoline consumption, we work out an average figure which we check by applying it to another condition, and find out that it is fairly reasonable. It is a very common statistical method of dealing with things like that. The Dominion Bureau of Statistics uses that method continually.

The CHAIRMAN: We had better get on.

Mr. FAIRWEATHER: I have only a few more figures to put in to complete the information which was asked for. The cost of automobiles runs \$538,000,000, and of trucks \$275,000,000, buses \$12,000,000 a year, and other motor vehicles \$18,000,000 a year. That makes up the total.

Sir HENRY THORNTON: I do not want to be frivolous, but somebody asked something about the basis of freight rates. A distinguished jurist in the United States drew up this formula of freight rates. He said:—

The first step in the study of a freight rate is the step to the lunatic asylum. If the shipper knows what he has to ship, and knows where it is going from and where he wants it to land, he takes it up with a rate expert of a railroad or traffic bureau. The rate expert throws dice to determine which page of the book he will look at. He adds all the figures on that page, multiplies the result by a bushel of corn, and subtracts a side of bacon, and tells the shipper to come back in half an hour. At the end of that time, the rate expert has received the latest opinion from the commission, and the rate is changed, and he has to begin all over again.

Mr. CANTLEY: Just before you leave this subject, I want to draw your attention to this sentence on page 7,—“Motor vehicle competition by private automobile, bus and motor truck has made serious inroads into the railway’s traffic.” I want to point out that in my opinion the railways in this country are largely responsible themselves for that competition. Most of us will remember that during the war years, from 1915, 1916 and 1917, we got very extravagant in regard to transporting all sorts of material by express which formerly went by freight and fast freight. Following that the railways made an application for an increase in express rates. You referred to that, Mr. Chairman, at the last meeting of this committee. That was strongly opposed, but the Railway Commission finally granted the increased rates. That was the beginning of motor traffic. You drove a large proportion of your express business into the hands of the motor people; and, not content with carrying express matter, they soon developed into carrying freight.

I hold that the railways of this country were mistaken in their policy at that time, and the result to which I have referred has followed. I do not know that there is much use of referring to that now, only this, that we may make corresponding mistakes now. For instance, we are taking off trains. Every train that we take off that is carrying passengers is simply giving more traffic to the motor buses, and we can overdo that, and in my opinion we are overdoing it to-day, in the proposals made now. You are proposing, for instance, in my section of the country to take off trains which have been on ever since the road was built in 1867, roads which the provinces built themselves and turned over to the railway.

I would like that the management would give some little consideration to that phase of the situation, because that traffic which you are displacing now, to a large extent, in my judgment, you will never get back.

Sir HENRY THORNTON: In answer to that, Colonel, we know what the earnings of every passenger train are. When it comes to a question of dealing with a situation of that sort, we obviously must cut off the unremunerative services, remembering however that communication facilities must be preserved with different sections, whether the services pay or not. For instance, you cannot

withdraw railway transportation entirely from a community. It would work great hardship and involve great distress. But the railway company and its management necessarily have to use their judgment and cut off, so far as may be, those services which are unremunerative and operated at a loss, and maintain those which are profitable, but at the same time have due regard for its public obligations. And that is a problem which is not always an easy one to determine.

Mr. CANTLEY: I quite agree with that. What I am asking you is that you take a broad view.

Mr. McGIBBON: What is the difference in the cost between running an ordinary train, a locomotive, an express car and probably one or two baggage cars, and those oil burners where we have an engine and a coach combined?

Sir HENRY THORNTON: Do you mean a Deisel-electric?

Mr. McGIBBON: I think they are oil burners.

Sir HENRY THORNTON: Do you mean what is the difference between the cost of running an engine burning oil and an engine burning coal?

Mr. McGIBBON: No, the engine and the baggage and express car and the passenger car, and the car which is the engine and passenger car combined?

Sir HENRY THORNTON: You mean a self-propelled vehicle?

Mr. McGIBBON: Yes. Could you not give the people possibly a combined service by running those oil burners, which are coach and all in one?

Sir HENRY THORNTON: That is a very interesting question, and also the discussion is illuminating. It must be five or six years ago that we started an investigation to see if we could find some form of self-propelled vehicle, such as you describe, which could be used on branch lines and on other parts of the railway where there was possibility of traffic with less cost than the full steam train. That investigation carried us abroad, and there were at that time gasoline propelled vehicles, electric vehicles, steam propelled vehicles, and a great variety of different sorts of self-propelled vehicles. We went on the hunt to see which was the cheapest and the best; and, as I say, that carried us abroad in the investigation of what was known as the Deisel-electric locomotive.

The result of our examination indicated that of all the self-propelled vehicles that we could find, the Deisel-electric was probably the most positive in character and, broadly speaking, the most economical in operation. Whereupon we built a certain number of these Deisel-electric locomotives; and incidentally, the engine was found at Beardmore's Works, near Glasgow. We found there an engine which was of the Deisel-electric type, which we thought with certain modifications would suit our needs in Canada. So we took that engine, and our experts developed it; and, to make a long story short, we built a number of these self-propelled vehicles, and economically they have turned out to be exceedingly satisfactory.

Have you the figures of those details? I would like you to tell the committee, if you can, just in a general way, what the result of that experiment was.

Mr. FAIRWEATHER: On December 31, 1931, we had 63 self-propelled cars,—

Sir HENRY THORNTON: Of the kind I have described.

Mr. FAIRWEATHER: With a total ledger value of \$3,337,000. They were of various types. Of the Deisel-electrics there were eight of the four-cylinder Deisel-electrics, and they made 340,000 car miles, that is they ran 340,000 miles in a year. Then we have 18 six-cylinder cars, slightly bigger car, and they ran 761,000 miles in a year.

Mr. CANTLEY: Briefly, I would like the relative cost of the mileage between the steam locomotive and the Deisel locomotive.

Sir HENRY THORNTON: I cannot tell you offhand, but the Deisel-electrics are cheaper.

Mr. FAIRWEATHER: We had two of the eight-cylinder oil electric cars, and they made 88,000 miles in the year. I have full statistics with regard to the performance of each car here, and they have certainly gone a long way towards meeting the problem which Dr. McGibbon has raised.

Sir HENRY THORNTON: I want to take a short-cut to the answer to Dr. McGibbon's question. Speaking from memory, my recollection is that these Deisel-electric cars,—is Mr. Hungerford here? Do you remember what the performance was? My recollection is that they returned 6 per cent interest on the investment and something like 12 or 14 per cent in addition to that. Do you remember what the figures were?

Mr. HUNGERFORD: No, I do not.

Sir HENRY THORNTON: In any event, Dr. McGibbon, they turned out successful and extremely profitable, and they meet exactly what you have been talking about. There is not any doubt that the self-propelled vehicle of the Deisel-electric type, on branch lines, is extremely economical in passenger service and also in switching service.

Mr. EULER: What is your opinion in regard to storage battery cars?

Mr. FAIRWEATHER: We have six of those cars in operation now, and they made 116,000 miles in 1930; but the trouble with the storage battery car is simply that its usefulness is limited.—

Mr. CANTLEY: It is unreliable?

Mr. FAIRWEATHER: It is not so much reliability; its use is limited to the amount of energy which you can store in your battery; and it is of use only where you have facilities to charge your battery. I would not say it is not successful, but it has not been so satisfactory as the Deisel-electric, which you can use anywhere.

Mr. EULER: Would you say it was not successful?

Sir HENRY THORNTON: I would not like to say that.

Mr. BEAUBIEN: What would you call the fuel,—does it use gasoline?

Mr. FAIRWEATHER: It is fuel oil.

Mr. BEAUBIEN: How does that affect the consumption of coal?

Sir HENRY THORNTON: The less coal you burn as fuel, the less coal you buy. That is perfectly obvious.

Mr. BEAUBIEN: Where does the crude oil which you burn in those engines come from?

The CHAIRMAN: South America.

Sir HENRY THORNTON: Some comes from California, some from South America—from various sources where fuel oil is produced.

Mr. BEAUBIEN: I thought we were working on a Canada First policy.

Sir HENRY THORNTON: We are, and fuel oil is a bi-product of gasoline. If anybody can produce fuel oil in Canada, we will be tickled to use it, and we do use it.

Mr. BEAUBIEN: It is refined from crude oil, most of which is imported.

Mr. FAIRWEATHER: Yes.

Mr. FAIRWEATHER: It is refined from crude oil, most of which is imported.

The CHAIRMAN: Adverting to Col. Cantley's observation as to express traffic being particularly vulnerable to motor vehicle competition I would like to

say this, that unless the express companies reduce their rates to a parity with the motor vehicle rates they are not going to have any short haul business at all.

Mr. HEAPS: What is the difference in the rates between the railways and motor vehicles?

The CHAIRMAN: The motor vehicle rate is about half the normal express rate, but they have in the last season been putting into effect a cut rate, during this period of competition, equal to the motor vehicle rate. I do not know that that is generally known.

Hon. Mr. EULER: Has the National Railway, or have the two railways made up their minds as to any definite policy in regard to going into the truck transportation business themselves?

Sir HENRY THORNTON: Not yet. That is under active discussion.

The CHAIRMAN: I think it is the consensus of opinion of this Committee that the time for discussion is over. If they want to save the situation there is need for some action.

Sir HENRY THORNTON: That has been my opinion. I said not long ago that the time for talk is past and the time for action has arrived.

Mr. GRAY: Then may we say in answer to Mr. Chaplin's question that since last year the only progress we have made is that the Canadian Pacific and Canadian National have got together and are becoming agreed on rates? Is that all the progress we have made?

Mr. MACMILLAN: Sir Henry suggested that the Royal Commission was going into the whole question of transportation in Canada, and that Commission is sitting now. That is one of the reasons that suggestion was made, was for this Commission to try to bring out some solution of this problem.

Sir HENRY THORNTON: Mr. MacMillan is quite right. My hope was, and I still retain that hope, that the Commission in their report will make some definite recommendations, with respect particularly to what legislation should be enacted to reduce this highway competition to fair competition, and secondly, in view of the representations which the railway had made, would also make some definite recommendation as to what the railways should do. I think that Commission will make some very definite recommendations upon the subject.

Hon. Mr. EULER: One more question; I understand the railways have worked out some system of truck transportation, which they have not absolutely decided to put into force. But if you did decide to do so, could you give us approximately what capital expenditure would be required to put that into operation?

Sir HENRY THORNTON: The answer to that question is,—I am only giving now my personal views, because we are not all in accord in our own family, and there is still some discussion going on with the Canadian Pacific; the scheme I had in mind would involve no capital expenditure at all. Such trucks and devices as we did not possess we could secure on a rental basis, and annual rental which in turn would result in our owning the equipment after a period of five years. In other words I do not want to go into a direct capital expenditure until we had an opportunity to try this thing out. My own opinion is that it is the answer to the whole thing, except this very short haul stuff, up to 50 miles or so. What I am trying to do now is to bring others, more particularly our C.P.R. friends, to the same point of view, and secure co-operative action.

Hon. Mr. EULER: You would not want to go on a permanent rental basis would you?

Sir HENRY THORNTON: No, but I do not want to be involved in a capital expenditure until this thing has been tried out and we see exactly what is going to happen. My feeling is that we have talked enough, now for heaven's sake let us try something, the best thing we can hit upon, and find out if that contains

the answer. If we find it does, then we can go as far in regard to capital expenditure as circumstances and conditions permit.

In other words, we are like a man who thinks he needs a horse for his business, he is not sure. Instead of going out and buying a horse he rents a horse for two or three years to see what the horse will do. If at the expiration of that time the horse is satisfactory, he will go and buy some horses.

The CHAIRMAN: As a corollary to your proposition is it not also true that before you embark on any extensive proposition of motor vehicle transport you will have to go to the provincial jurisdictions and arrange restrictions and regulations and proper safe-guards for the traffic, as was indicated here to-day? It seems to me that is of fundamental importance as a preliminary to any large embarkation on motor vehicle traffic, because if the provinces will not co-operate with you, you are going to be left holding the bag.

Sir HENRY THORNTON: I think that is absolutely true, and I will supplement with this statement, that whatever the solution of this problem may be, the railways have got to have proper provincial legislation. No question about it.

Sir EUGENE Fiset: Is it not a fact that the provinces of Quebec and Ontario will not take any action until the Royal Commission has made a report?

Sir HENRY THORNTON: I do not know.

The CHAIRMAN: Is it not also true, Sir Eugene, that the provinces have expressed themselves as being sympathetic, knowing as they do the value of the railways to the nation?

Sir EUGENE Fiset: I am quite sure that in the Quebec legislature the statement was made last year that, before they would take any action or even approach the railways on the matter, the report of the Royal Commission investigating the whole railway situation in Canada will have to be received.

Sir HENRY THORNTON: I think, Sir Eugene, there is a growing public feeling that the situation merits and demands reasonable, fair, sympathetic legislation on the part of the provinces. That is my sense of public opinion generally. I may be wrong.

Hon. Mr. MANION: Is it not true that as far as you and the Canadian Pacific are concerned, your suggestions were that before you went into it on any large scale you would try it out in certain sections?

Sir HENRY THORNTON: Precisely.

Mr. GRAY: Are we here to initiate plans or make suggestions to the railway or are all the things under the Railway Commission and we are wasting a lot of time?

The CHAIRMAN: Well, the discussion has been very illuminating. It was bound to raise by reason of the reference made in the President's report. My personal view is that this Committee, when it come to make its report, should discuss among themselves this very problem, and make such recommendations to the railway in general terms looking to a solution of the problem. That is why I interjected this question of provincial jurisdiction. I invite the members to turn that over in their minds against the time when we come to make our report, as I think we should make some reference to that, irrespective of what the Royal Commission may do. We can only offer advice in any event, but it is a problem of transcendent importance to this country.

Now shall we proceed?

Mr. DUFF: Before you proceed, may I say that I was called out and did not hear all the discussion, but it seems to me that it is a very serious question for the railways if they are going to spend large sums on capital account to endeavour to compete with trucks in regard to freight or passengers. I suggest that before they do it they should give it careful consideration. For instance, in the first place they will be competing against themselves.

The CHAIRMAN: Sir Henry has dealt with that very point. His view is that they should give it a trial without any large capital expenditure.

Mr. DUFF: I do not know that they should give it any trial. It is going to cost the Canadian National a great deal of money. We are not so much interested perhaps in the C. P. R., but the capital expenditure is going to be a very large sum.

The CHAIRMAN: I am sorry you were not present when Sir Henry discussed that. If you will read the minutes to-morrow you will find that it will not involve much if any capital expenditure.

Mr. DUFF: Let me go a little further. I would say that if, instead of competing with themselves by putting trucks on the road, the railways would go to the customer and collect the freight and take it to the station and put it on the trains, and when it arrives at destination deliver it with trucks, that to my mind would get over a great deal of the trouble. It seems to me that the people of this country do not want any more capital expenditure as far as the C. N. R. is concerned than is absolutely necessary.

Sir HENRY THORNTON: Again I am sorry you were not here when this was discussed. That is exactly the principle we are working on.

Mr. DUFF: Do you do it now?

Sir HENRY THORNTON: No.

Mr. DUFF: Then mine is a new suggestion?

Sir HENRY THORNTON: Not altogether. It is new as far as you have stated it, but the principle we have been working on is to combine with the railway services, as you have outlined, collection and delivery service.

Mr. DUFF: That is a good idea; I think that will cover it to a large extent.

Hon. Mr. EULER: Have the railway authorities made any investigation as to what is done in other countries, say Great Britain?

Sir HENRY THORNTON: Yes.

Hon. Mr. EULER: Have the railways there dealt with the situation by going into the truck business?

Sir HENRY THORNTON: We have complete information in regard to what is done on the North American continent and elsewhere.

Mr. MACMILLAN: Could you have a brief prepared in that connection for the information of the Committee? I do not mean a lengthy brief.

Mr. KENNEDY: Has any study been made by way of estimating what the effect of building the St. Lawrence canals will have on the railways?

The CHAIRMAN: That is a pretty wide problem.

Mr. DUFF: It is a second Hudson's Bay proposition.

Sir HENRY THORNTON: We have made no examination of that. It will either be built or it will not, and if it is built we will have to take our medicine, whatever it may be.

The CHAIRMAN: Apropos of Mr. Duff's suggestion I would like to throw out this, that if they do go into this proposition of collection and delivery of freight from the customer they see to it that the cost of that service is not anything like as high as the cost of the present service by the express companies, because the charge at present by the express companies is killing the service. People will not pay it.

Sir HENRY THORNTON: The railways cannot compete with the highways unless they offer service which is commensurate in price and equivalent in facility. You must have those two things. We have got to offer a service which is commensurate in price and at the same time is so satisfactory by comparison that the shipper will use it. You cannot compete on any other basis, and there is no use trying.

Mr. DUFF: In the past you have done that, you have driven every coastal boat off the coast of Nova Scotia to get business for the railway, and the minute you get them off you raise the railway rates.

Sir HENRY THORNTON: I am afraid I will have to ask you to elaborate that question before I can answer it.

The CHAIRMAN: That is the result of railway operation in the Maritime Provinces. We used to have on the river St. John a first-class line of express boats. Now we have one little boat going up one day and down the next. That is an evolution of the times; I am afraid we cannot kick against it.

Mr. DUFF: Well the same thing should apply to the trucks. Drive them out.

The CHAIRMAN: How shall we proceed?

Mr. FAIRWEATHER (reading from page 6 of the Annual Report):

Operations of the present consolidated Canadian National System began on January 1, 1923, and with the object of furnishing a basis for a clear understanding of what has happened since that date the cash receipts and expenditures, excluding non-cash book-keeping transactions, largely applicable to prior periods, may be summarized as follows:—

RECEIPTS

	Jan. 1, 1923	Dec. 31, 1931
Net system earnings before appropriations and interest on funded debt	\$254,437,554	54
Increase in long-term funded debt, less discount and refunding ..	457,564,286	36
Loans from the Dominion of Canada.....	97,460,270	35
Short term loans	35,008,250	94
Appropriations from public funds for capital expenditures on Canadian Government railways.....	5,729,298	44
Reduction in cash and working capital.....	16,853,136	06
	<u>\$867,052,796</u>	<u>69</u>

EXPENDITURES

Interest charges on long-term funded debt held by the public	\$386,537,381	35
Net additional capital expenditures.....	419,669,620	64
Investment in affiliated companies.....	36,675,835	08
Investment in sinking and insurance funds.....	24,169,059	62
	<u>\$867,052,796</u>	<u>69</u>

The CHAIRMAN: I suggest that we stop the reading of this now; this is a convenient place. Shall we consider the first two pages and questions arising out of them? We have dealt in a degree with the vehicle problem. What is the wish of the Committee?

Take the question of operating revenues, it is an astonishing figure that is presented, a loss of \$45,000,000 in operating revenue as compared with the preceding year, and the preceding year was bad enough. It is only by giving intensive consideration to these figures and what they mean that the people of this country will realize what the railway problem of the country is.

Mr. McGIBBON: I take it this statement does not include the Eastern Lines, what has been lost on the Eastern Lines?

The CHAIRMAN: Figures for the Eastern Lines will be found at Page 33.

Mr. FAIRWEATHER: The net revenue deficit in 1931 amounted to \$6,393,562.

Mr. McGIBBON: Can we have them for the same period?

Mr. McLAREN: The book deficit from July 1, 1927, to December 31, 1931, is \$29,680,000, and cash deficit \$26,269,000 difference is interest due Govt. of \$2,818,000 and other non-cash items of \$591,000.

Mr. McGIBBON: What would be the comparative figure for Eastern Lines for the same period?

Mr. McLAREN: We have no comparative figures.

The CHAIRMAN: Dr. McGibbon was predicating his question on the assumption that that did not include the Eastern Lines. That is made clear, that this consolidated statement is for the whole system.

Mr. McGIBBON: I understood Mr. Fairweather to say it did not.

Mr. McLAREN: On page 28 you will see the details making up the information that is on page 6. It does not include Eastern Lines from July 1, 1927, nor does it include interest due the Government.

The CHAIRMAN: It does not include it from the time of the passing of the Maritime Freight Rates Act?

Mr. McLAREN: No it does not.

The CHAIRMAN: So that both statements are partially true; it does include the whole for a period, and subsequently it does not.

I do not know what object my friend Dr. McGibbon had in referring to this question of the Eastern Lines, but once more I must protest against the setting up of this system of keeping these accounts separately with respect to deficits arising out of the Eastern Lines. We have just as much right to be included in the whole system as any other part of the National Railways. The people of Eastern Canada, particularly the Maritime Provinces, will never cease to protest against this, because it puts us in an unfavourable position. Furthermore we do protest against the Atlantic region being cut off at Levis, it should go as we originally asked to the City of Montreal. Then I believe the picture would be entirely different. I want to know if I am not voicing the opinion of the Maritime Provinces here today.

Hon. Mr. EULER: How much would that deficit on the Eastern Lines be increased if you included the amount that goes out of the public treasury under the Maritime Freight Rates Act?

The CHAIRMAN: They lump them altogether in the estimates. I protest against that too.

Mr. BEAUBIEN: Don't you get it back in low rates?

The CHAIRMAN: I will say that no part of the country gets as low rates as you do in the Crow's Nest rates in the West. And they are fastened on this country for all time.

Mr. BEAUBIEN: How about Ontario?

Mr. BEAUBIEN: Don't you get it back in low rates?

Hon. Mr. EULER: I would like to know how much we have paid under that Maritime Freight Rates Act.

Mr. BEAUBIEN: Let me tell you that the traffic in Western Canada is much more remunerative than the traffic from the Maritime Provinces.

The CHAIRMAN: I would have to get it from another source before I should believe it.

Hon Mr. EULER: Could Mr. Fairweather give me this information; since the operation of the Maritime Freight Rates Act how much money has gone out of the general treasury of Canada to pay for the reduced rates?

Mr. FAIRWEATHER: Do you refer now only to the Canadian National? You see similar contributions are made to the Canadian Pacific.

Hon. Mr. EULER: Give us both if you can.

Mr. FAIRWEATHER: Your question now relates purely to the Canadian National.

Hon. Mr. EULER: All right, give us that.

Mr. McLAREN: \$9,768,000.

Hon. Mr. EULER: Within how many years?

The CHAIRMAN: Four years.

Mr. McLAREN: July 1, 1927, to December 31, 1931.

Hon. Mr. EULER: Can you get it for the C.P.R.?

The CHAIRMAN: It is relatively smaller.

Hon. Mr. EULER: Over \$9,000,000 since the inauguration of that Act for the National.

The CHAIRMAN: Now I would like you to know, based on the evidence given the Special Committee in the Crow's Nest Pass matter in this House in 1922, how much the railways have lost by the application of those rates since 1922, \$30,000,000 a year. I can refer you to Mr. Lannigan's evidence. I am fighting for a position, I want to maintain it.

Mr. DUFF: I thought this was a national committee, not a sectional one.

The CHAIRMAN: That is all right, but I object to the setting up of this system. I am not saying who is responsible.

Mr. BEAUBIEN: If you look at the revenues and net revenues of the railway companies during certain months of the year, you will find that during the crop movement months in Western Canada that is where the railways get the greater per cent of their net revenue.

The CHAIRMAN: I could answer that very easily, but I will not continue the discussion, I have made my point..

An hon. MEMBER: You will see Ontario pays the bill.

The CHAIRMAN: I agree that Ontario pays the bill. And they get compensation, make no mistake.

Mr. DUFF: And we pay it in other ways.

Hon. Mr. MANION: It should be understood by the Committee that the reason the figures are set up in this way is that the Maritime Freight Rates Act said it should be.

The CHAIRMAN: But we protest against that.

Sir HENRY THORNTON: I think we changed the method a couple of times to try to meet the wishes of those who expressed views, but apparently we have signally failed.

The CHAIRMAN: Of course, as long as the legislation is there, it must be obeyed, I suppose.

Mr. DUFF: Did I understand the deficit last year was \$393,000. Is that after crediting this \$2,000,000 received from the Treasury?

Mr. FAIRWEATHER: Yes. The contribution under the Maritime Freight Rates Act is included as part of the freight revenue.

Hon. Mr. EULER: But the country loses that extra \$2,000,000 a year.

Mr. DUFF: Mr. Chairman, that is not so bad. There are three Maritime Provinces, and this applies also to the most important part of Quebec. If you

divide that on a percentage basis, you will find that we have not lost as much in the Maritime Provinces as the rest of Canada.

The CHAIRMAN: I would think that is true, that relatively the cost to the country of the Eastern Lines has not been as great as the other parts of the country.

Mr. BEAUBIEN: Where is it lost in the West?

The CHAIRMAN: Everywhere. \$24,000,000 in passenger service alone last year.

Hon. Mr. MANION: I do not wish to get into this argument, because I am in between, but to keep the record clear I would like it explained by the officers that when Mr. Duff says that the loss, if it were spread out over the whole of Canada, it would be less than in some other parts of Canada, or on an equal basis. Is there an operating loss on the rest of the system?

Sir HENRY THORNTON: What do you mean by an operating loss, the difference between revenue and expenses?

Hon. Mr. MANION: Yes, this is an operating loss, I take it, isn't it?

Sir HENRY THORNTON: From what period?

Hon. Mr. MANION: I am speaking of the year 1931. There shows an operating loss, a net revenue deficit, which I take it is an operating loss, of \$6,-393,562.

Sir HENRY THORNTON: Yes. On the rest of the system, as seen on page 6, the difference between revenue and expenses was about $7\frac{1}{2}$ million. That is the net earnings of the rest of the system were $7\frac{1}{2}$ million. In other words, in 1931 the revenues exceeded the expenses by $7\frac{1}{2}$ million.

Hon. Mr. EULER: Whereas in the Eastern Division the expenditure exceeded the revenue by 6 million.

Sir HENRY THORNTON: After all this whole question is involved in the question of freight rates.

Mr. DUFF: I want to be fair to Ontario.

Mr. BEAUBIEN: Is it not the fact that the loss on the Eastern Lines is equal to the surplus on the rest of the lines?

Sir HENRY THORNTON: Roughly. There is a difference of about $1\frac{1}{2}$ million. But this whole question is really involved in the question of freight rates.

Mr. DUFF: And Confederation.

Sir HENRY THORNTON: I am not going into an argument about whether our freight rates are too high or too low. There may be good justification for the scale of freight rates that we have in Canada. But I would like to point out without prejudicing the argument whatever, that had we in Canada had the same scale of freight and passenger rates as exists in the United States, the Canadian National from January 1, 1923, to date, even including the years of depression, would have met all of the interest on the funded debt in the hands of the public, with a surplus of twenty odd million dollars.

The CHAIRMAN: That is assuming you had the same traffic.

Sir HENRY THORNTON: Just taking it as it is, that is exactly what would have happened. I am not advancing that as an argument for lower or higher freight rates, but I do say that this whole question is necessarily a function of and involved in your scale of freight rates.

Hon. Mr. MANION: Both you and Mr. Beatty, I think, have claimed to me that freight rates in Canada are the lowest freight rates in the world, taking them by and large. Am I right?

Sir HENRY THORNTON: You are right. Now there may be good reason for it, it may be necessary, because after all you have to take this into con-

sideration, and it is only fair to state both sides of the picture; a large percentage of the total volume of traffic moved by the railways of Canada originates in the interior of the country, that is to say largely the grain traffic. That originates in the interior of the country and it must be moved an average of 2,000 miles to tide-water, whether to Vancouver or some Eastern port. On the other hand, if you take the Argentine grain, that is probably moved on the average not to exceed about 300 miles to tide-water. That may be a reason why we have got to have lower freight rates than a country like the Argentine, to market our grain in the markets of the world. And our freight rate situation may be a question of geography. On the other hand I make this simple statement, that if we had a higher scale of freight rates, such as I have described in the United States, our financial picture would be very different.

Mr. DUFF: Sir Henry, have you any information as to what the picture is with regard to the C.P.R. business on their Eastern Lines, from Montreal to Saint John, as compared with the business done by the C.N.R., loss or profit?

Sir HENRY THORNTON: No, I have not.

Mr. DUFF: Could you say that they also met with a loss on their Eastern Lines?

The CHAIRMAN: They always contend that they do. On the other hand I have had operating officers of the Canadian Pacific tell me it is the way they keep their books, that they charge up things, load into the cost of operation things that should not be in at all. I have been told the same thing by officers of the Canadian National with respect to the Atlantic region, that they load into the cost of operation things that should not be loaded onto us at all, told to me by responsible officers, I am not going to name them, they might get into trouble.

Sir HENRY THORNTON: You can rest assured no one on this railroad would get into trouble for trying to tell the truth. But I would like to say this, that to the best of our knowledge and belief, as honestly as we can, we make up our accounts. You, or any one, may differ about the way they are made up, but I would like to make it clear that as honestly as we know how we are trying to prepare these accounts.

Hon. Mr. MANION: George A. Touche & Co. are the auditors. I have heard that statement made before, and to try to get the truth, because I have no desire that the Maritimes should be unjustly treated, I had Mr. Matthews, the representative of Touche & Co., who does the auditing for the shareholders of the Canadian National, including Eastern Lines, and I asked him distinctly if there was any truth in that statement that the C.N.R. charged anything to the Eastern Lines in any unfair manner, and he absolutely adhered to the claim, on two or three occasions with me that there was no discrimination in any shape, manner, or form. He said the charges were made up fairly and squarely as regards each part of the system.

The CHAIRMAN: For instance take the car ferry between Prince Edward Island and the mainland, is that charged to operating expense?

Mr. McLAREN: Yes.

The CHAIRMAN: I think that is a very unfair charge, to charge it to Eastern Lines. That is a line of communication between one province and another, it is part and parcel of the Confederation Pact. That should not be loaded on the Eastern Line charges at all.

Hon. Mr. MANION: That may be, but I am speaking of the general railway charges. That is not the usual claim, the usual claim as I have heard it made in this committee at different times, just as you made it a few moments ago, is

that there are charges put in, not specifying the ferry. I do not know the results on the ferry especially.

The CHAIRMAN: Everyone knows that the operation of the car ferry to the Island is a very expensive operation. The capital charges are high, they have two boats, and the cost of maintaining that link is exceedingly high.

Hon. Mr. MANION: There may be justification for that view, but I was speaking of the railway charges distinctly, and they claim that there is no excess charge against the Maritime Provinces.

Mr. DUFF: You should include part of Quebec, do not just say the Maritime Provinces.

Hon. Mr. MANION: Well they start at Levis and Diamond Junction.

Sir EUGENE Fiset: And it happens that the only part of that line to-day that pays is the part between Levis and Moncton. That is the return I got last year.

The CHAIRMAN: On this question of Eastern Lines, I would like to ask Mr. Fairweather what part of this net revenue deficit is attributable to the policy of acquiring branch lines in Quebec and the Maritime Provinces within the last ten years. Because they have taken over some very unprofitable branch lines. I instance the Gaspé railway.

Sir HENRY THORNTON: I do not see how we can separate that out.

The CHAIRMAN: Do you keep any record of the costs of operation and receipts of the Gaspé Railway?

Mr. FAIRWEATHER: Not in such form that your question can be answered. We certainly keep record of receipts and expenses.

The CHAIRMAN: Loaded into that deficit is the loss on operation of all the broken down branch lines ever built in the Maritime Provinces and Eastern Quebec, and all including the old Canada Eastern Branch from Fredericton to Newcastle were taken over for political purposes. That line was taken over just previous to the election of 1904.

Mr. DUFF: I would not say for political purposes, I would say in the interest of the public, because everyone gets the benefit.

The CHAIRMAN: I say for political purposes: that is my considered opinion anyway. And they are all losing money. The management is trying to cut down operations, and I don't blame them.

Mr. DUFF: Of course this whole thing was brought into being for political purposes in 1918, if you want to argue that way.

Mr. CANTLEY: There is another factor; when the Intercolonial was managed entirely from Moncton, the cost of management was much less than it is to-day. Is not that a fact?

The CHAIRMAN: Mr. Price used to run the whole road himself, and he never had a salary exceeding \$7,000 a year.

Mr. McGIBBON: The Gaspé railway was taken over why?

Hon. Mr. CHAPLIN: There was only 50 per cent of the amount of the bonds paid for it.

Sir HENRY THORNTON: In regard to taking over the Gaspé Railway, we had been importuned by the people down there, I remember very well receiving a delegation of the people from that part of the country, their complaint was that the service was so unsatisfactory that the development of the Gaspé Peninsula was being interfered with and throttled. I discussed the matter with the Government, as naturally I would a question of that sort, and finally the discussion led to my being authorized to enter into negotiations with the bondholders. At the same time there came up the question as to what was to be

done with various odds and ends of railways about Canada. My own point of view was that, if in the interest of the State or any particular section, the Canadian National Railway was obliged to take over unproductive properties, that was a burden which should not rest upon the management, it should be accepted by the Government, seeing the Government presumably was doing it for reasons of State and public policy. That was one of the things that was discussed. However, I was authorized to enter into negotiations with the bondholders, and finally they agreed to sell the Gaspé Railway for, as I recall, something that represented 50 cents on the dollar of the money put into the property.

The CHAIRMAN: Well 50 per cent of what they asked for.

Sir HENRY THORNTON: Oh they asked for the kitchen stove, for that matter! They asked for everything.

Mr. McGIBBON: You told us at the other session that the first suggestion came from the Government.

Sir HENRY THORNTON: No, I am going back a good many years, but my recollection is that this started with a movement on the part of the people living in the Gaspé Peninsula, who were so dissatisfied with the service and maintenance of those railways that they felt they should be taken over by the Canadian National.

The CHAIRMAN: My recollection is that you stated in this Committee, perhaps not last year but in previous years, that you had consistently refused to purchase the Gaspé Railway as part of the Canadian National system.

Sir HENRY THORNTON: I do not recall that definite statement, but I did not particularly want them. Mr. Chaplin is quite right when he says that they are not a productive railway; they are not.

Mr. DUFF: Is not that true about practically all the lines that you had to take over when you came, that were taken over by the Government? For instance the Canadian Northern is one for which the country was liable for hundreds of millions of dollars. I do not see any reason to talk about the Government taking over.

Sir HENRY THORNTON: It is common knowledge that considerable pressure has been put upon us. The Pacific Great Eastern has been painted in alluring figures, we have been asked time and time again to take that property over.

Hon. Mr. MANION: By the British Columbia Government, not this Government.

Sir HENRY THORNTON: No I do not say that.

Mr. BEAUBIEN: Before the Canadian National was formed, all the deficits on the Intercolonial for years were charged to the Canadian Government.

The CHAIRMAN: No, there were many years when the Canadian Government Railway system under Mr. Pottinger paid its way, notwithstanding that the Minister of the day used to make freight rates himself in his office here in the West Block.

Mr. BEAUBIEN: I understood that on the old Intercolonial nearly everyone in the Maritime Provinces travelled on a pass.

The CHAIRMAN: That is what Mr. Dunning said, but it didn't happen to be true.

Mr. CANTLEY: The Intercolonial Railway showed a profit over cost of operation in ten years out of twenty.

The Committee adjourned to the call of the Chair.

HOUSE OF COMMONS, ROOM 231,

APRIL 26, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Mr. Hanson presiding.

The CHAIRMAN: I understand that the department are rather anxious to have this Bill 34 passed and reported,—this is a Bill respecting the Canadian National Railways and to authorize the provision of moneys to meet expenditures made and indebtedness incurred during the calendar year 1932,—so that the guaranteeing Act may be passed or introduced to the House on this Bill being reported by this committee.

If it is agreeable, this would be the first order of business. I understand the railway needs the money. Shall we proceed then, with the reservation always that anything that might properly arise under this Bill may be discussed at any later stage in the committee? If that is agreeable to the committee, we might proceed then with the consideration of Bill 34, which I will now read.

Section 1:

This Act may be cited as Canadian National Railways Financing Act, 1932.

I understand that this is the same practice as was adopted last year. Shall section No. 1 carry?

Carried.

Section No. 2,—Power to borrow,—

Sir EUGENE Fiset: Mr. Chairman, may I ask if you are examining the provisions of the Bill? Are we examining the expenses provided for in this Bill, or the money in this Bill?

Hon. Mr. MANION: You have not examined it, but, as the Chairman says, it will be open.

Sir EUGENE Fiset: Is the money already spent or is it incurred? In other words, you asked us to authorize the government to provide \$10,000,000 at the last meeting, and that was for repayment of an expenditure already made. I think the capital expenditures covered by this Bill are expenses already incurred?

Hon. Mr. MANION: It is not for last year, but it is for the year from January to December, 1932. Part of this money would be expended, but not paid; and it is for that reason they want to get this Bill through so that they may get the money.

Sir EUGENE Fiset: Last year we agreed that the expenses were already incurred and it was to cover payment of expenditures already made that we were asked for authorization. I suppose the same thing occurs this year?

Hon. Mr. MANION: I do not follow you. This Bill is not for expenses already incurred, except from January 1st to the present date.

The CHAIRMAN: Have you observed the explanatory note on the opposite page:

The object of this Bill is to authorize the Canadian National Railway Company to issue securities to the extent of \$61,500,000 for the purpose during the year 1932 of financing where amounts available from net operating income or investments may be insufficient.

This is to take care of the estimated deficit for 1932, and under that discussion may be had on any item relevant to that page of the question.

Hon. Mr. MANION: May I say it is the same as least year, excepting that last year we put it through as a Bill, and previous to that it was put through as an estimate. That is the only difference.

The CHAIRMAN: Do you want me to read Section 2?

Mr. MACMILLAN: No, it is too long. Carried.

The CHAIRMAN: Carried.

Section 3:

The Company may, subject to the approval of the Governor in Council, from time to time approve or decide:

(a) The kind of securities to be issued and the form and terms thereof;

(b) The currency or currencies in which any issue or parts thereof may be made;

(c) The times, manner and amount of the issue or issues;

(d) The terms and conditions of any sale, pledge or other disposition of the securities.

(e) The securing, if deemed desirable, of the securities by mortgage, deed of trust or other instrument and the manner thereof, and the form and terms of any such indenture and the trustee or trustees thereof;

(f) The manner, terms and conditions of any temporary financing and the expediency thereof and the form and terms of temporary securities.

Mr. CANTLEY: Carried.

The CHAIRMAN: There ought to be a little explanation. It should be noted that the \$42,784,610.13 is a deficit; that the \$11,681,651.87 in (b) are to take care of sinking fund and other maturing obligations—that is refunding, is it? Then clause (c) provides for construction and betterments, including co-ordinations, acquisition of real or personal property, and working capital, not exceeding \$7,033,738.

Section 3 provides for approval by the Governor in Council. Carried.

Section 4, competitive bids:

(1) The Company shall adopt the principal of competitive bids or tenders in respect of any sale of the securities, but, subject to the provisions of paragraph (d) of section three of this Act, shall not be bound to accept either the highest or lowest or any bid or tender made or obtained, not be precluded from negotiating for better prices or terms.

(2) This section shall not apply to temporary financing in whole or in part by way of pledge or otherwise of the securities either in permanent or temporary form, where the Governor in Council approves such temporary financing and the terms thereof.

Carried.

Section 5, Refunding of temporary loans. Shall this section carry? Carried.

Mr. MACMILLAN: Mr. Chairman, just a moment. Section 4, as to competitive bids. I suppose that is always the practice?

The CHAIRMAN: Of course that is in the public interests as well as of the railway.

Hon. Mr. MANION: Has it always been on a competitive basis?

Sir HENRY THORNTON: Perhaps there should be some little explanation given to Mr. MacMillan in that respect. If my memory serves me, up to four or five years ago, or something like that, it was the practice of the company

to negotiate the best terms for its securities that it could obtain, without specifically or directly asking for competitive bids. It more or less came down to that in the last analysis, but it was not the practice, as I recall it, through the period I have mentioned to actually send out formal requests for competitive bids; but some five years ago—do you remember when that was?

Mr. COOPER: At the end, four years ago.

Sir HENRY THORNTON: Four years ago we started definitely to ask for competitive bids. That is, particulars of the loan and everything were sent to competitive bidders, large banking houses and large financial interests, and they made their bids. The bids were opened in the presence of the vice-president of Finance and other officers of the company, and a recommendation was sent in usually to the Government that the issue of the loan be awarded to the lowest bidder. That was not specially put up to the Government in the form of a formal request for approval, but simply to acquaint them with what could be done.

Mr. MACMILLAN: Do you mean lowest or highest bidder?

Sir HENRY THORNTON: In every case that I can recall the highest bidder was awarded the issue.

Now, sometimes after the tenders were in they were found to be unsatisfactory. That is, it was thought that perhaps with further negotiations higher bids could be obtained, and in some cases—not very frequently, that was done. But the statement is correct that for the last four years bids have been asked for formally from banking houses, financial institutions and financial groups, and with the consent of the Finance Department the issue was awarded to the most favourable bidder. Does that make it clear, Mr. MacMillan?

Mr. MACMILLAN: Yes. Carried.

The CHAIRMAN: Does the company exercise its own judgment or does it take the advice of its bankers?

Sir HENRY THORNTON: We have not any what you would call bankers, in the sense that they are considered bankers by a good many railway systems. I think most of the railway systems on the North American continent have certain bankers with whom they transact exclusively their banking business, and who exclusively look after the issuance of securities for them, just as an individual may have one tailor and always go to that tailor; and there has been a good deal of discussion as to which is the more advantageous method of handling the issuance of securities; and there are two schools of thought. One is that if you select a responsible, strong and capable banking house, and always do your banking business through that house, in times of difficulty and financial distress you are always able to count upon their support and assistance in getting more favourable terms than if at that time you went out for competitive bids, because the banking house, like the tailor, doctor, lawyer or anybody else, wishes to retain his client, and therefore puts forth every effort to satisfy the client.

The other school of thought is that these bids of all nature should be made competitive, and that no railway company should leave those exclusively in the hands of any one banking house, be it ever so capable or ever so strong.

With respect to a publicly owned enterprise, the general feeling is that competitive bids should be asked.

Those are the two schools of thought, and that is the way the thing is generally done; and, as far as we are concerned, for the last four years we have preceeded upon the doctrine of competitive bids.

Mr. MACMILLAN: Sir Henry, how do you account for the fact that your securities do not sell as well as government securities?

Sir HENRY THORNTON: Theoretically, Mr. MacMillan, I do not think there is any reason why they should not. The bonds of the Canadian National

Railways have the Government guarantee and in theory they become a Government loan; but what you say is true, our securities do not sell on as high a basis as the Dominion of Canada bonds; and, as I have said, I do not see any theoretical or practical reason why there should be any difference; but all the same there is. Whether it is that the investing public draws some sort of unjustifiable difference between our securities guaranteed by the Dominion Government and the Dominion of Canada securities, which are guaranteed by that Government, I do not know.

I have often been asked that question before, and I have never been able to quite satisfactorily answer it in my own mind. I have asked bankers, and they have said that sometimes it is a little difficult to make the ordinary investor understand that the Dominion Government stands back of the securities and that in effect the securities are a Dominion issue.

Mr. HEAPS: Mr. Chairman, what is the difference between the selling price of Canadian National securities, issued by them and guaranteed by the Government, and securities issued directly by the Dominion Government? What is the disability in the matter of price?

The CHAIRMAN: Can you answer, Sir Henry?

Sir HENRY THORNTON: Mr. Heaps asks, What is the difference between the sale price of Canadian National securities, issued by the Canadian National and guaranteed by the government, and securities issued directly by the Dominion government? In other words, under what disability in the matter of price are we? Is that your question?

Mr. HEAPS: Yes.

Sir HENRY THORNTON: Mr. Heaps asks what that difference is, put in general terms. Do any of you know?

Mr. COOPER: There was an answer given in last year's committee.

Sir HENRY THORNTON: If you remember it, will you speak up and tell Mr. Heaps what the answer is.

Mr. COOPER: In last year's committee that same question was asked and the answer was given, and I would like to look it up and give you the exact figure, rather than speak from memory.

Sir HENRY THORNTON: It is not a great deal of difference, Mr. Heaps. Just speaking from memory, I think perhaps it is a quarter of a point.

Sir EUGENE Fiset: One-tenth of one per cent?

Sir HENRY THORNTON: I think it is more than that.

The CHAIRMAN: Is not this the truth, that it is an arbitrary set-up by the banking houses themselves?

Sir HENRY THORNTON: I do not think so. It fluctuates.

Mr. MACMILLAN: Is it not because bondholders would have a little more uneasiness in seeking redress, and there may be some difficulty in the public mind?

Sir HENRY THORNTON: I think that may be the answer.

Mr. McLAREN: My recollection is that one-tenth of one per cent was the difference.

Hon. Mr. MANION: Is it not a fact that the people would rather take a direct security than a guaranteed security?

Sir HENRY THORNTON: I think that is the answer.

Mr. BELL: Besides the Dominion Government guaranteeing the security, what other security have the bondholders or note-holders? Is the rolling stock of the railway pledged?

The CHAIRMAN: They are debentures—promises to pay.

Sir HENRY THORNTON: These bonds are promissory notes guaranteed by the Dominion Government. That is what they actually are.

The CHAIRMAN: They are not secured debentures in the sense that they are secured by mortgages or trustees or anything of that sort. That may be true; and, excepting as to equipment trust certificates, which are secured by pledges; but ordinarily they are not guaranteed. Just at present they cannot sell securities of that class.

Ordinarily, Mr. Bell, the Government stands back of the loan. Ordinarily you borrow money and put up the security for the loan. In the event of the failure of the company to meet its obligation, the borrower would foreclose on that security. Each car, whether the passenger or freight or whatever it may be, is the property really of the trustee under that trust, until the loan has been paid back. In other words, the borrower could foreclose on the equipment representing the loan. Do I make that clear?

Mr. BELL: Yes, I am clear on that point. Of course I was not speaking of the minor issues but of the major issues; but that leads to another point. Supposing you have an issue of \$61,000,000 and then you go out to buy new equipment. As you say, you have paid out 25 per cent cash; then your obligation would go over perhaps to a greater amount?

Sir HENRY THORNTON: No, the balance also is amortized; the capital is amortized within the life of the loan.

The CHAIRMAN: That is the theory.

Mr. BELL: If you asked for a loan to-day, when the money is advanced by the Government, do you go out and buy equipment over and above the point mentioned, 25 per cent, say, on the box cars, locomotives or anything, and do you obligate yourselves to a much greater amount?

Sir HENRY THORNTON: I do not know that I follow that. Of course we are obligated for the balance of 75 per cent of the loan, as the chairman points out, and the collateral representing that 75 per cent is the rolling stock involved.

Mr. BELL: I am sorry I have not made myself clear.

Sir HENRY THORNTON: Perhaps I am a little stupid.

Mr. BELL: You ask to-day for a certain amount to complete obligations of the Canadian National Railways, and you buy more rolling stock with the moneys that are advanced; you go out and you buy a great amount of rolling stock on which you pay 25 per cent down. In your estimate are you only estimating for the 25 per cent down, or are you estimating for the whole amount?

Mr. SMART: No, that is included in the budget. That 75 per cent is authorized by the budget for the year. So that you pay cash out of your current 25 per cent, and you have authority for the other 75 per cent; and that is given in the budget in the year in which the equipment is to be purchased.

The CHAIRMAN: In other words, the obligation incurred is not larger than the estimate here, and it is spread over.

Mr. BELL: That is satisfactory.

Mr. DUFF: Is it not a fact that outside of the \$61,000,000 there is another security; for instance, of the \$42,000,000 of deficit there is no asset behind it?

Mr. FAIRWEATHER: There are assets distinctly behind the capital requirements.

Mr. DUFF: But for the \$41,000,000, there are no assets or security outside of the government?

The CHAIRMAN: That is to take care of an operating deficit, and there cannot be any railway asset against that.

Mr. DUFF: Except there is a difference between the assets and the liabilities, and the assets are greater.

The CHAIRMAN: Mr. Duff is absolutely right.

Mr. DUFF: Am I right or wrong in that?

The CHAIRMAN: You are right.

Section 6. This is as to the power to aid other companies. Shall this section carry?

Carried.

Shall the preamble carry?

Carried.

Shall I report the Bill?

If this Bill is to be reported to-day, I would suggest that the Committee have not done a great deal of work and we will probably have to sit when the House is in session. I do not mean by that that we will have to sit to-day, because this is rather an important day on Parliament Hill.

Will somebody move that the House be asked for authority for this Committee to sit while the House is in session?

Mr. CANTLEY: I will move that, Mr. Chairman.

Mr. POWER: I second it.

The CHAIRMAN: The motion has been moved by Mr. Cantley and seconded by Mr. Power.

Carried.

I hope it will be the will of the Committee to go right on now and finish up. I am exceedingly anxious to get the Committee to function. There has been a great deal of difficulty in getting it to do so, and I do not think it has been the fault of the chairman.

Mr. CANTLEY: On a question of privilege, I want to refer to the report of the meeting of April 19, on page 66, where I am reported as having said that an application had been made by the railways for an increase of freight rates. What I did say was that they had made an application for an increase in express rates, which is quite a different thing. If you will be good enough to have the proper parties correct that and substitute the word "express" for the word "freight".

The CHAIRMAN: Where is that?

Mr. CANTLEY: It is about the middle of page 66, simply that one word will make a great deal of difference in the argument.

The CHAIRMAN: The clerk will do what he can to have that corrected. I presume that on a revision of the minutes that can be corrected.

Now, gentlemen, we were at the annual statement. Shall we proceed from where we left off?

Mr. MACMILLAN: Might I ask, Mr. Chairman, whether you have any report to make as to what was transmitted regarding the house transaction in Montreal?

The CHAIRMAN: I have not so far been provided with that memorandum. I would ask the president if it is ready for production?

Sir HENRY THORNTON: It will be presented to-morrow.

The CHAIRMAN: It will be presented to-morrow, he tells me. That is on the question of improvements passed the other day, I asked for certain information respecting the pensions system in effect on the system. I asked that for the purpose of getting information solely for the benefit of this Committee. It has come to my attention that certain officials of the company have intimated that their pensions are in danger because of the asking for that information.

I would like to have it made clear that there was absolutely no such intention. All we have asked this information for is to get this information

in order that it may be available for a clear understanding of what the various pensions are. And I would like to say to the higher officials of the railway here present that any intimation to members of the staff that their pension systems are in danger is wholly without foundation, wholly unjustified, and should never be made by anybody among the higher executives to any other person among the officials.

Mr. STEWART: Has it been made?

The CHAIRMAN: It has been made.

Mr. MACMILLAN: How could that come about? Surely this Committee may ask in regard to our own property.

Sir HENRY THORNTON: I simply would want to make a statement in reply to what Mr. Hanson has said, that certainly, as far as I am concerned and as far as I have any knowledge of what any officer of the company has done, I know of nothing of the sort; and certainly it was not in my mind, nor did I draw any such inference from the question that was asked, that anybody's pension was in danger; but that the chairman's question was purely asked for a matter of information.

I have no knowledge, and I want to say it with all the emphasis at my disposal, that I have no knowledge that any such thing has been done.

We have here a number of statements and memoranda with respect to the pensions schemes, which I think had better be distributed to the members of the committee now.

The CHAIRMAN: Very good. That is all we asked for.

Mr. MCGIBBON: With respect to the house referred to, I would like to have Mr. Seguin, who, I believe, put through the deal for that house, appear before this committee. I would like to ask him some questions.

The CHAIRMAN: Will you move that he be summoned?

Mr. MCGIBBON: Yes.

The CHAIRMAN: Is he a real estate man, or is he a notary in Montreal?

Mr. MCGIBBON: I believe he is a clerk in Mr. E. R. Decary's office.

The CHAIRMAN: Let us have his name so that he may be summoned properly. The clerk will attend to that, Doctor. When do you want him here, —next Tuesday?

Mr. MCGIBBON: That will be all right. And I also would like to get some information in regard to the New York office. I do not know whether anybody is prepared to give it to us here. If anyone will, I will put in a series of questions.

The CHAIRMAN: Would this satisfy you, Doctor? Could we have a statement from the management as to the New York offices, together with a copy of all the documents relating to it? Because it seems to me if you are going into the matter we ought to have the documents.

Mr. MACMILLAN: I would like to ask two or three questions in regard to this matter. On page 1930-31 of Hansard, for the session of 1931, as revised, Dr. McGibbon asked certain question regarding the New York office of the railways. The answers are incomplete, in my judgment, and I would like to enquire further, if the railways had to pay any of the occupants or lessees of office space in the building at 673 Fifth avenue in order that the railway should obtain immediate possession of the building? If so, how much money was paid out in this connection?

How much money did the railways spend on remodelling the premises, and how much on furnishings, and in what year?

What is the term of lease by the railways at office building 673 Fifth avenue, New York?

What is meant by overlease held by Cordelia Realty Corporation, expiring April 30, 1955?

Does the lease of this building extend until April 30, 1955?

How much did the Railways receive in rental from sub-tenants occupying this building last year?

Are the premises at 505 Fifth avenue vacated by the railway still unoccupied?

When does the lease on the said premises expire?

What is the annual rental on the premises at 505 Fifth avenue, New York, for the years 1929, 1930 and 1931?

What is the annual gross and net rental paid by the railways for the premises at 673 Fifth avenue, New York, for the years 1929, 1930 and 1931?

What is the annual rental paid by the railways for the premises occupied by the traffic department in the Woolworth building, New York, for the years 1929, 1930 and 1931?

What amount of money did the National Railway pay by way of net and gross rental for the premises at 673 Fifth avenue, New York?

The CHAIRMAN: If you have those questions in writing, would you hand them in?

Mr. McGIBBON: And I would like to add to that the yearly amount of salaries, and the amount of business done last year.

Mr. MACMILLAN: I think I have omitted one question there. I want to know if the railway had to pay any money to the people who were occupying the premises at 673 Fifth avenue, in order to get them out.

Mr. McGIBBON: And I would also like to know, if possible, who the Cordelia Company is.

Mr. MACMILLAN: I would like to know who was the architect employed in the remodelling of these premises in New York, and what remuneration he received?

Sir HENRY THORNTON: We will get that information.

Mr. STEWART: In regard to the house property in Montreal, I would like to ask whether any other house properties owned and leased by the Canadian National Railways are occupied by officials of the railway?

Sir HENRY THORNTON: Yes, there are quite a number.

The CHAIRMAN: You mean houses or premises leased from the public for officers or officials of the railway? You do not mean premises owned by the railway company and leased to employees?

Mr. STEWART: Oh, no.

The CHAIRMAN: The house at Moncton is owned by the government and is occupied by Mr. Abbott, as general manager. You do not refer to such a case as that? It was Mr. Pottinger's residence before Mr. Abbott. It is recognized as the general manager's house.

Mr. STEWART: No, I do not refer to that at all.

The CHAIRMAN: Is there anything else on the same line, because we want to get the questions and give the management time to answer them.

Mr. MACMILLAN: As to the hotel down at Jamaica, I would like to know:

1. How much money have the Canadian National Railways invested in the hotel at Kingston, Jamaica?

2. When was the hotel opened and how long did it remain open?

3. Who owns the hotel?

4. Is the investment of the Canadian National Railways in this enterprise lost?

5. By what authority was the investment of Canadian National money made in the hotel at Kingston, Jamaica?

6. Was the orchestra taken from Montreal on one of the lady boats to be present at the opening of the hotel?

7. If so, how long was the orchestra employed, and at what cost by way of wages and expense?

8. Have the management of the railway any information to give the committee as to the future of the hotel at Kingston, Jamaica?

Mr. MCGIBBON: I would like also, Mr. Chairman, to get the cost of equipment of all the medical services, including the cars, x-ray machines and everything of that kind, where they are located, the personnel, salaries, and the total yearly expenses, as well as the total investment.

The CHAIRMAN: The management will get all the questions from the stenographer. It will take time to get that information, of course.

Is there anything else, now, gentlemen? If we are going into these matters, now is the time to get in your requests.

Mr. MACMILLAN: I would like to know the cost of publishing the Canadian National magazine, the number of copies, the revenue, and if it is distributed free, the day on which they discontinued distributing it free, as I understand they are now charging so much per year, and I would like to know about it.

Mr. MUNN: Mr. Chairman, I asked two weeks ago for information in regard to purchases of ties under the unemployment relief. I would like to have a list of the contractors, the amounts paid and the deliveries.

Hon. Mr. MANION: There have been no amounts paid and no deliveries. They are only starting to take out the ties now, I think.

Mr. MUNN: I want a list of the contractors and whether the contracts were placed in the regular way or placed on recommendation from someone in charge of relief.

Hon. Mr. MANION: They were placed in the regular way. I can tell you that now.

Hon. Mr. CHAPLIN: In respect to an inquiry of this kind, I protest that if those contracts are now in effect we have no right in this committee to inquire into them. It is against the rulings of other days and is against our usual course of business.

The CHAIRMAN: If they are under unemployment relief, I do not think we have a right to go into them. Do I understand, is it alleged that this is unemployment relief money?

Mr. MUNN: Yes.

The CHAIRMAN: It is quite outside of the jurisdiction of this committee. You can get that information in the House. I think the Minister has so stated, and that the railway company was authorized out of unemployment relief funds to purchase 2,000,000 ties; and a certain sum was allocated for that purpose, but no matter under that has been referred to this committee, and it is not in this reference.

Hon. Mr. EULER: Does it not come under this inquiry?

The CHAIRMAN: No.

Mr. POWER: I had a question on this on the Order Paper, and because this was a railway matter we were referred to the railways committee for that information. I am quite willing to return to the House, if it is the opinion of the committee that we should not get this information here. However, I think that should be discussed here.

Hon. Mr. MANION: Perhaps, in view of these remarks, I had better make a few remarks too. I explained in the House of Commons what happened, that 2,000,000 ties were permitted to be purchased by the Canadian National Railways at the expense of the unemployment relief fund; an amount was allowed up to 65 cents a tie, which amounted in round figures to \$1,300,000. I pointed out that the contracts were let by the Canadian National Railways in exactly the same way as they have always been let in the past when it really came out of the funds of the Canadian National Railways; that the men who got the contracts were given the contracts by the railway; that the prices were set by the railway; that the amount ultimately to be paid, by the totalling up of the contracts, I understood, amounted to between \$900,000 and \$1,000,000, instead of the \$1,300,000, because they got them at such a low price.

That was, in brief, the information. Mr. Power and some other gentlemen asked for information about the names of the contractors and the prices paid and so on—a lot of details which had never been given in the past. I had no objection to the names of the contractors being given, but there were something between three and four hundred of them scattered between the Atlantic and the Pacific, with the exception of Prince Edward Island, where they do not raise timber for ties. That is the whole story.

If the members of this committee wish to have a list of the names of the contractors, I have not any objection.

In regard to the details of the contract price, I have objection, because the railway gave the contracts as in previous years. I will give such information as has been given in the past; but I know of no reason why I should give more information.

Mr. POWER: Has the amount been transferred?

Hon. Mr. MANION: No. The contracts have been let by the railways, and none of the ties, I suppose, have been delivered yet, although they may be in the course of delivery. Until they want to pay for them, I do not suppose they will ask us for the money. But the contracts came through between \$900,000 and \$1,000,000, instead of the \$1,300,000. The management of the railway, as usual, fixed the price very low; they fixed a very low price, so low that there were many complaints from different parts of the country; but that cannot be charged up to the discredit of the railway. We have nothing to do with it except that we allocated the money.

Hon. Mr. EULER: I asked whether the matter of the contracts for these ties did not affect the accounts of the Canadian National Railways, and the answer is no. Is that correct, or am I to understand that these ties which were purchased in connection with the unemployment relief are paid for by the government?

Hon. Mr. MANION: Yes.

Hon. Mr. EULER: Is this amount of money which is paid for the ties made a gift?

Hon. Mr. MANION: Yes. There will be a bookkeeping entry probably, because the money will go through their hands; but otherwise it will not be charged to them.

Mr. POWER: Then it is a gift of \$900,000?

Hon. Mr. MANION: Yes.

Mr. MUNN: I am satisfied with the answer. I have a partial list, but strange to say some of these contractors never made ties before. It is surprising that the old contractors were passed by and they went to new people who never had been in the business before.

Hon. Mr. MANION: I also have a list of contractors under the previous government, and the same position exists. There are occasions in which some man got a contract who perhaps was not in the tie business, but for some reason he got it. It is a very small proportion, whether under the former government or under our government. I get complaints that Bill Smith or Tom Jones got a contract and he was not in the tie business. Perhaps Bill Smith or Tom Jones advanced funds to somebody else who had not money to do it; and there are a number of those.

Mr. MUNN: I want to say that the principle is wrong. I am in the lumber business myself, and if the railways or anybody else wants lumber, they should go to the legitimate operators in the business and not to those outside.

The CHAIRMAN: In the years gone by, the legitimate operators for ties or anything else were those who got closest to the government, and the other fellows never got a chance to have a look-in.

In 1930 we found the National Railways loaded up with ties, and when the change of government came in they said they could not take any more ties, that they had two years supply in hand.

Do you think I will stand back under circumstances like that? I am not made in that way.

Mr. MUNN: That is not what I am asking about.

Mr. GOBEIL: In my district there is a good deal of that. There were one or two dealers, as the case may be, and these dealers sublet contracts to men around the district, making their commission all around of in the vicinity of 10 cents per tie, to which also I do not object; but this year the prices were so low that nobody could afford to make a commission of 10 cents per tie; and I know of only one man in my county who is going to make delivery,—I do not think he has done that already, but he will make about 5,000 ties; but the price to him was from 20 to 30 cents less than the price in past years, and there was no 10 cents profit to anybody else. No big dealer or big contractor could avail himself of taking a commission of 5 cents or 10 cents per tie, because the prices were so low; and these contracts went directly to the small men in the country and the farmers who delivered the logs and got the full benefit of the price paid by the government to the tie dealer.

Mr. DUFF: Mr. Chairman, I am rather surprised to learn that either the past government or this government is making or giving contracts to tie people.

Hon. Mr. MANION: The hon. gentleman misunderstood. Neither the late Government nor this Government gave any contract for ties. It was mentioned because the Government supplied the money by way of relief funds; but neither the late Government nor this Government gave contracts for ties. The railway gave the contracts for ties.

Mr. DUFF: That is a better explanation than was given previously.

Hon. Mr. EULER: Mr. Chairman, I think you made the charge that some millions of ties were purchased just before the last election, intimating that ties were purchased which were not necessary for the needs of the railway?

The CHAIRMAN: I will ask Mr. Vaughan if when the change of government came, in 1930, the railway was not loaded up with ties and did not want to buy any more.

Mr. POWER: If we are to go into this question, let us go into it thoroughly. Mr. Munn asked for information as to the ties. Why not go into it thoroughly, if we are going into it at all?

Hon. Mr. MANION: If the committee wants to go into it thoroughly, this Government has nothing to hide.

In regard to what the Chairman said, I will say this, that in 1929, the year before the election, something like 14,000,000 ties were bought, when the usual annual consumption of the railway is about 6,000,000. I do not want to stir up a lot of stuff.

Mr. POWER: That will be established by the questions which we will ask Mr. Vaughan.

Hon. Mr. MANION: The first year after we came into power, 4,000,000 ties were bought and paid for by the railway, and 2,000,000 are being bought out of these unemployment funds this year. I have no fears, if it is stirred up; but I do not think it is worth while, I say frankly and honestly. I think it is a lot of little stuff.

I do not mind saying quite frankly that during the time we were in power people write in from all over the country, and I pass on the letters of these people to the manager, just exactly as Charlie Dunning did when he was Minister or Mr. Crerar. And I go further. Ties have not been bought this year all from one party. Neither were they bought under the late Government from one party. Perhaps they were lopsided under them, and perhaps they are lopsided under us.

Mr. DUFF: I was always under the impression, and I think I know something about the way ties are purchased, that it was done entirely by the railway, and that neither this Government nor the late Government has had anything to do with the purchasing of them. Why does the Minister say that so many ties were bought previous to the last election? I think the railway officials bought those ties because they needed them. It may be true that I or some other member may have written to the management about purchasing ties in our municipalities; but it should not be brought in that they were bought under the direction of the late Government.

Hon. Mr. MANION: I did not start this discussion on ties. I was opposed because I did not want to give a lot of information which was not given in the past. I am not wishing to make any political capital out of the question; but when it is shot at us that we have done something "phoney" about ties, I wish to say that ties this year have been bought exactly in the same way that they were bought under the late Government. There were very many ties bought in 1929 and many in 1928,—much more than they needed; and you can draw whatever conclusion you want on it.

Hon. Mr. EULER: This is not doing anybody any good. There is an implication made that a very large number of ties were bought unnecessarily,—that they were not required. I am not trying to be offensive, but the intention is to give the impression to the public that those ties were bought for political reasons. I am not disputing the statement that ties were bought, and perhaps more ties were purchased than ordinarily would have been the case, and perhaps more than the necessities of the case demanded,—I do not know. But since the charge has been made, I think those who purchased the ties should state why they were got.

Hon. Mr. MANION: Nobody made a charge.

Hon. Mr. EULER: Mr. Minister, you and I are very good friends, but the Chairman has made a charge that before the last election an unusually large number of ties were purchased. I think the intention was to leave the impression upon the public that it was done with a political purpose in view. Whether it was true or not, I do not know; I do not think it is true. I was a member of the Government at that time and I had no knowledge of it. I think those who purchased the ties should have an opportunity to say why they made the purchases.

Mr. MUNN: If you want information about ties, why not let us have a tie day?

Hon. Mr. EULER: The statement has been made and it is going out, and I would like to have it explained now, if possible.

Mr. DUFF: Is there any reason why we should not discuss that tie question now?

The CHAIRMAN: I am wholly in the hands of the committee, but I have nothing to take back.

Hon. Mr. EULER: If the representative of the railway is here who knows the facts, I would like to hear him now.

The CHAIRMAN: I have been handed a statement showing the number of ties purchased in Ontario and Quebec. In 1931 the railway purchased 3,149,062 ties; in 1930 the railway purchased 7,287,205 ties; in 1929 the railway purchased 12,862,129 ties,—pretty nearly 13,000,000 ties; in 1928 the railway purchased 12,078,496 ties; and in 1927 they purchased 8,049,592 ties; and those figures are very significant to me.

Hon. Mr. EULER: I want to repeat my question, and I would like to know why that number of ties were purchased.

The CHAIRMAN: All right. Mr. Vaughan is here and I will ask him.

Mr. DUFF: Mr. Chairman, and may we inquire into the price of ties in those years?

The CHAIRMAN: Yes; and there is a difference between 1928 and 1930 and 1931. The price has been hammered down to nothing. I think the price has been hammered down too low. Producers in my country say so, and that they cannot live. And my friend, Col. Cantley, has characterized the business of supplying ties as the refuge of the destitute.

Now, Mr. Vaughan, if you please.

Mr. VAUGHAN: Mr. Chairman, I think the figures have been got in the wrong year. You are taking the deliveries in the particular years, rather than the orders. We order ties in one year for delivery in the next year. That is, our ties, for instance, in the year 1929 referred to, the big purchase was made in 1928 for delivery in 1929. That was brought about by the fact that in 1928 some of our general superintendents complained that they did not have sufficient ties on hand to go ahead with their work early in the year. We had a meeting and decided that we should have 100 per cent carry-over of ties. Therefore in 1928 we decided to bring up that carry-over so that we would have ties in 1929 ready to go ahead immediately transportation is open, because a large proportion of our ties are water-borne and we do not get them until April, May or June, or sometimes in August. And that explains the large number of ties purchased in 1928.

At that time we were using about 10,000,000 per annum, and we had on hand about 5,000,000 ties. At present we are using only about 5,000,000 ties per annum.

The CHAIRMAN: What is your usual annual purchase on contracts,—did it ever average 10,000,000 ties?

Mr. VAUGHAN: Yes, for three or four years it averaged 10,000,000 ties a year.

Hon. Mr. EULER: So that 10,000,000 ties is not very much more than usual; and Mr. Vaughan explains it was done at the request of the superintendents, to bring up their carry-over.

The CHAIRMAN: In 1930, is it not correct that when application was made to the railway to purchase ties to help the unemployment situation, applicants

were told that the railway had much more than their requirements and did not want to purchase ties.

Hon. Mr. EULER: Because the depression came and they did not need so many, because they were not building so many branch lines?

Mr. VAUGHAN: That is true. There was no new construction or rebuilding; and the creosoting program was beginning to show effect; but we have a large number of ties on hand.

The CHAIRMAN: The net result of your statement is that you were not in the market for ties in the fall of 1930?

Mr. VAUGHAN: That is so.

The CHAIRMAN: And would not have bought any ties but for the fact that the Government came to your assistance?

Mr. VAUGHAN: Yes.

Mr. DUFF: Were any great number of ties used in the building of the Hudson Bay Railway? Would they have been purchased by the Canadian National?

The CHAIRMAN: Anything bought for the Hudson Bay Railway was bought by the railway as agents for the Government and do not appear in the railway accounts at all.

Mr. POWER: May I ask if any ties purchased by the railway went to the Hudson Bay Railway?

Mr. VAUGHAN: I could not give you the distribution of it, but a large quantity of ties went to the Hudson Bay Railway in 1926, 1927, 1928 and 1929.

Mr. DUFF: Are the Hudson Bay Railway ties appearing in your figures?

Mr. VAUGHAN: Yes.

Hon. Mr. MANION: Then I was wrong on that.

Hon. Mr. EULER: Apparently the statement was made in criticism that 12,000,000 ties were bought in 1928, which is a very considerable period before the election. Mr. Vaughan says that they only ordered 2,000,000 more, and that is accounted for when he says that the heads of the departments required a little larger reserve in order to put themselves on the same basis as other railways, and that that was good railway practice.

Hon. Mr. MANION: I do not wish to drag it on, but the chairman pointed out that when we came into power in 1930 the Canadian National Railways had so many ties on hand that they did not want to buy a tie, and the only reason they bought any was that we coaxed them to buy 4,000,000 ties by assuming the interest on the 4,000,000. I do not wish to criticize at all, and I did not wish to discuss this matter, but Mr. Euler is taking such an extreme attitude in it that it is a little difficult to explain why they should buy 12,000,000 ties and why they had 12,000,000 on hand when we came into power.

Hon. Mr. EULER: It is very easily understood. Mr. Vaughan has explained that they bought a large number of ties, but not a much larger number than in the years when we were prosperous and were building branch lines. It is understandable why in 1930 the railway would not want to buy ties, because they were not building branch lines.

Hon. Mr. MANION: Branch lines were being built.

Mr. MCGIBBON: May I ask the Minister what was the budget of the Canadian National Railways previously?

Hon. Mr. MANION: The figures are on record in the House.

I do not want to carry on a political discussion in this committee, if we can avoid it.

Mr. McGIBBON: About as big as it was for five years before?

Mr. POWER: May I ask Mr. Vaughan this question. You heard the statement by the Minister that there were undue purchases. Was my summing up of it correct?

The CHAIRMAN: As a lawyer, that is a question for the committee to decide. That is the question at issue. As a matter of evidence, that is the point at issue which the committee have to decide, and you cannot ask that of a witness.

Mr. DUFF: May I suggest to Mr. Vaughan that one reason for the large purchases in 1928, 1929 and 1930 was that you were instituting a creosoting program throughout the country, and it was necessary to creosote a much larger quantity of ties than you really wanted?

Mr. VAUGHAN: Creosoting had been going on for a number of years, and we always had a larger number of ties than needed for immediate demands.

Mr. POWER: I would like an explanation from Mr. Vaughan of the matter put before us by the Minister of Railways which seems extraordinary, that when the government of which he is a member came into power the Canadian National Railways seemed to have a very great over-supply of ties.

Hon. Mr. MANION: I think the member might put his question without the statement.

Mr. POWER: Let him answer.

Mr. VAUGHAN: I do not know that I understand the question.

Mr. POWER: Why did you have an over-supply of ties in 1930, or did you have one?

Mr. VAUGHAN: As I explained, in 1928 we had been short of ties, at the beginning of 1928, so we decided to bring our carry-over up to practically 100 per cent, so that we would have our ties available in the spring of the year when we could put in the new ties, when labour was plentiful. Prior to that time we had been using from nine to ten million ties per annum. We ordered, I think something like 13,000,000 ties in 1928, which we got in 1929.

Mr. POWER: Why was it that in 1930 you did not want any ties?

Mr. VAUGHAN: The actual reason was this. We found it, in the first place, that we were getting a good deal of benefit from the creosoted ties, which were lasting 20 years instead of 7 or 8 years; so we decided to cut down at that time.

Mr. POWER: Prior to 1930, was pressure brought to bear on you to purchase ties, either generally or from any particular individual, by members of the government?

Mr. VAUGHAN: No.

Mr. POWER: Since 1930, was pressure brought to bear on you to purchase ties, either generally or particularly from individuals, by members of the Government?

Mr. VAUGHAN: As the Minister explained, in 1930 and 1931, they guaranteed the interest.

Mr. DUFF: Did the Government buy them or did you buy them?

Mr. VAUGHAN: The 4,000,000 ties were purchased by us.

Hon. Mr. MANION: Who bought the 2,000,000 ties?

Mr. VAUGHAN: They were bought by the Canadian National Railways.

Mr. POWER: Did you receive instructions to purchase from any particular person, those 2,000,000 ties?

Mr. VAUGHAN: At the time we bought our ties, they were bought on instructions from the president.

Mr. POWER: Prior to 1930, did you always receive instructions from the president's office as to the persons from whom you were to purchase railway ties?

Hon. Mr. MANION: I do not propose that Mr. Vaughan shall make any implication that there was any different procedure in 1931 than in previous years.

I am informed in my department that there has been no change in any manner or form. Is that right or not?

Mr. VAUGHAN: There has been no change in the purchasing of ties at all.

Hon. Mr. MANION: Or has there been any change in the method of picking out the people from whom you would buy them? Have they not been purchased as in the past?

Mr. VAUGHAN: I am in an awkward position. I have no politics. I doubt if the questions are fair.

Hon. Mr. MANION: That leaves a little implication that there was something wrong in 1931. Now I intend to open it up. In the past, under the Liberal Government, I got the lists of the ties purchased, and perhaps not 99 out of 100, but certainly 25 out of 26 or 27 were Liberals. It is a strange coincidence that they were always Liberals under that Government. I would say now that perhaps a proportion is switched the other way.

Hon. Mr. EULER: That is 25 out of 26 now are Conservatives?

Hon. Mr. MANION: Yes, quite probably.

Mr. POWER: May I ask whether they have been switched under instructions from the Government or the Minister?

Hon. Mr. MANION: No, no instructions have been given; but I will tell you what I did. I did just exactly as Charlie Dunning did when he was here, and as other ministers did; when I got recommendations from different parts of the country I passed them in and hoped that they would give them consideration.

Mr. POWER: Were your hopes realized?

Hon. Mr. MANION: Yes, just as the 14,000,000 ties before, in 1928, were realized for the Liberal Government. My friends here have been much worried about it. How is it that the year before the election Mr. Vaughan bought nearly 14,000,000 ties more than they had ever bought before?

Mr. POWER: Let us have an answer to that.

Mr. VAUGHAN: What we bought by our department was only what was to be bought for other departments. We do not buy anything on capital account but what is covered by the budget. We purchase—

Mr. MCGIBBON: I would like to ask Mr. Vaughan something.

Mr. POWER: The Minister will have no objection.

Hon. Mr. MANION: I would ask Mr. Vaughan to bring in a statement for our next meeting of the totals of all supplies purchased from 1920 to the present, in every year.

Mr. BEAUBIEN: In 1929, when the Canadian National Railways made the purchases of which you speak, was not that passed by the House of Commons and the committee?

Hon. Mr. MANION: Yes. It is the greatest bunkum in the world—does this committee go into all these details?

Mr. BEAUBIEN: You have been going into it this morning.

Hon. Mr. MANION: Yes, because it was pressed by members. I was not criticizing.

Mr. MCGIBBON: I want to know whether I heard Mr. Vaughan correctly or not—I hardly think I did. My conception of his answer was that he bought everything on the instructions of the president, as purchasing agent, as I believe he was. Have you no authority without the president to buy anything?

Mr. VAUGHAN: We buy in our department and assume the responsibility for practically everything we buy ourselves, excepting the matter of contracts which were proposed which are on the instructions of the president.

Mr. MCGIBBON: Do I understand that the president overawes you and gives you instructions to buy certain things at certain times?

Mr. VAUGHAN: No. We get instructions, if there are purchases of a large amount to be made; we get our instructions from the board of directors.

The CHAIRMAN: The ordinary routine you look after yourselves.

Mr. BEAUBIEN: In preparing the budget for the railroad, first, before it is finally accepted and passed?

Mr. VAUGHAN: We have now a committee, of course, which goes into the budget generally. Then after the budget is passed, we have what is called a financial committee, which consists of the Minister and others. But before we buy even under the budget, the committee passes upon the needs for it.

Mr. MACMILLAN: Now I would like to refer back to the pension matter, which we were discussing, and ask the following:

1. What is the present system of superannuation on the Canadian National Railways?

2. Is the system contributory?

3. Do you consider the system as operated at present fair to the people of Canada, the employees of the railway and the railway itself?

4. Is it possible for an employee or an official of the Railways to be paid a larger pension than the pension scheme calls for? If so, who is the authority to increase the pension of either an employee or an official?

I would like to ask Sir Henry: Do you consider the system as operated at present fair to the people of Canada, the employees of the railway and the railway itself?

Sir HENRY THORNTON: I think the answers to a good many of those questions will be found in the pamphlet which has been distributed; but if you will file those questions, I will consider them.

The CHAIRMAN: A series of questions has been handed up. Are these from you, Dr. McGibbon, about coal?

Mr. MCGIBBON: Yes.

Sir HENRY THORNTON: Who purchases coal for the Canadian National Railways in Montreal?

Mr. VAUGHAN: It is done through our department, sir—

Sir HENRY THORNTON: It is done by the purchasing department?

Mr. VAUGHAN: Yes.

Sir HENRY THORNTON: Did anyone other than the regular purchasing agent purchase coal or sign a contract for the purchase of coal, during the past three years?

Mr. VAUGHAN: The contracts are all signed by the general fuel agent.

Sir HENRY THORNTON: Did anyone other than the regular purchasing agent of the Railways—I understand Dr. McGibbon means the regular purchasing machinery of the railway—purchase any coal or sign any contract for coal, during the past three years?

Mr. VAUGHAN: No.

Sir HENRY THORNTON: Who signed the contract? That is eliminated by your answer to question No. 2.

Is that an answer to your questions, Dr. McGibbon?

Mr. MCGIBBON: I think that is. Mr. Vaughan answered that a little while ago.

Sir HENRY THORNTON: Then do you consider these questions answered?

Mr. MCGIBBON: Yes.

Mr. MACMILLAN: Sir Henry, can you answer the question as to pensions?

The CHAIRMAN: I think you should wait for an answer to be prepared. There are four different schemes, I understand.

Mr. MACMILLAN: I asked the president if he considers it fair to the Canadian people and to the employees of the Canadian National Railways and to

the railway itself, as it is at present operated. I do not think it would take a long time to answer that question.

Hon. Mr. CHAPLIN: We had a similar report last year, and I think it would be as well to delay the answer to that question until the next meeting.

The CHAIRMAN: I think it would be better to have it delayed until the next meeting; but if the question is pressed, I would ask Sir Henry if he can answer it now. Sir Henry would like to have a chance to refresh his memory on the memorandum prepared, and I think it is but fair.

Mr. STEWART: On October 3, 1931, there was an article called "America's Fall Tonic" by B. Bulger. It refers to the world's baseball series held each year, and it gives quite a description about the entertainment which goes on there, and I would like to read two passages and then refer to one other which refers to a Canadian railroad.

The entertainment of visiting writers is, perhaps, the biggest item in the expense of the club owners. Starting with little touches of hospitality to visiting writers back in 1911, this feature of the big series has grown to such an extent that club owners now vie with one another in the novelty and lavishment of their entertainment. . . .

The desire of Newport hostesses to surpass one another in giving their guests pleasure is no keener than this rivalry, as hosts, among the baseball club owners. The bills would probably make Newport dowagers elevate their eyebrows. In New York one year three local newspaper men were asked to act as hosts and do no stinting. . . .

A most novel open house of the 1930 series was presided over by a representative of a Canadian railroad company.

I would like to know if there was any representative of the Canadian National Railways who presided over that novel open house, and, if so, who he was and what it cost the people of Canada.

Sir HENRY THORNTON: Where and in what city was this open house?

Mr. STEWART: It was in the baseball series of 1930.

Sir HENRY THORNTON: Presumably it was in the United States?

Mr. STEWART: Yes.

Sir HENRY THORNTON: I know of no such episode, and I know of no official of the Canadian National Railways who is connected with any such thing.

Mr. STEWART: I would like to know whether it was any officer of the Canadian National Railways.

Sir HENRY THORNTON: No. It does not say the Canadian National Railways?

Mr. POWER: If you were at the World Series and somebody asked you if you would go and preside over such a jambouree, wouldn't you go?

Sir HENRY THORNTON: I have probably seen, in the last nine years, about one baseball match, and I never attended any functions in any way connected with any baseball championship; and I know nothing whatever about the episode to which you refer; and I know of no official of the Canadian National Railways who was in any way connected with any such thing.

Mr. STEWART: Might it be possible for an officer of the Canadian National Railways to have been connected with it?

Sir HENRY THORNTON: No, quite impossible. There are other railways in Canada.

I would like to say that so far as I am concerned, in connection with such a matter as is referred to in that article, and as far as I know no officer of the Canadian National Railways was connected with it.

Mr. MACMILLAN: Mr. Chairman, I would like to get a list of the directors' expenditures and fees that they received from the Canadian National Railways up to the change when the new board came in, up to the past five years.

Mr. POWER: Including both.

The CHAIRMAN: Let us have it for a period of a year before and after—two and two; that is fair enough.

Now, shall we return to the routine, or have we any more questions?

Mr. POWER: Before we return to our own business, may I ask if we cannot have the list of vendors of ties under that unemployment relief?

The CHAIRMAN: I have already ruled against it.

Hon. Mr. MANION: Yes, providing we also have the lists for the previous years too. We should have all of them.

Mr. POWER: Who will supply the list?

Hon. Mr. MANION: Mr. Vaughan can supply the list. May I say a word, so that there will not be any misunderstanding going out to the public. Whether these ties were bought largely from one political party or another, I want to say that the Canadian National Railways did not suffer to the extent of \$1, as far as the price of ties was concerned. The Canadian National made the price and they gave the contracts, and they bought the ties; so that there was no fixing of the price by either government. Both governments made recommendations of people that were writing in about it, and they passed on the recommendations.

Hon. Mr. CHAPLIN: Do I understand the Minister to say that he is going to give out information in respect to ties or tie contracts presently in effect? Because I certainly will object to that, because that is not in accordance with what has previously been done. I am willing to inquire into anything that is passed, but as to something which is in effect, it is against all rules that we have ever had, both in the House and in the committee.

Hon. Mr. MANION: I do not know that my friend Mr. Chaplin is correct in that. It is not the case of the prices and the contracts. I am just a member of the committee and in the hands of the committee.

The CHAIRMAN: I want to point out that none of the tie purchasers immediately subsisting are in the Canadian National budget at all, but they are under the relief, and do not come within our purview at all.

Mr. POWER: We have asked for that information in the House and we are not able to get it.

Hon. Mr. MANION: But all kinds of other information was asked for in the House.

Mr. POWER: It does not matter to me where we get it, but I would like to have the information.

Mr. MACMILLAN: I would like to ask whether it has been the practice, when the board of directors have met at a meeting, that \$40 in gold was given at each time that they met?

Sir HENRY THORNTON: Do you mean the board?

Mr. MACMILLAN: The board of directors?

Sir HENRY THORNTON: No. The board of directors receives a salary of \$2,000. It is not my understanding that the directors get anything as directors beyond the \$2,000. The executive committee meets once a week or sometimes oftener, and, I think it was approved by order in council, received \$40 per meeting.

Mr. MACMILLAN: Do they receive that now?

Sir HENRY THORNTON: Yes. The board of directors as a whole receive a salary of \$2,000 a year. If he is a member of the executive he receives \$40 per meeting.

Mr. MACMILLAN: And they have expense accounts over and above that?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: I would like to have the expense accounts of these directors included with the other questions, for two years prior to the election of the new board and two years in the new board.

Sir HENRY THORNTON: You mean two years prior, and up to date?

Mr. MACMILLAN: Yes.

The CHAIRMAN: Is it not true that the board of directors have taken a ten per cent cut of their honourarium, the same as other employees?

Sir HENRY THORNTON: That is true.

The CHAIRMAN: I know they are getting \$1,800.

Mr. MUNN: Do I understand that the members of the executive are receiving \$40 for each meeting as well as a salary?

Sir HENRY THORNTON: Yes.

Mr. MUNN: Have they been reduced that 10 per cent on their salary?

Sir HENRY THORNTON: Yes, the directors have taken the ten per cent cut on their salary.

Mr. MACMILLAN: What is the present practice of the board of directors as regards their expenses?

Sir HENRY THORNTON: They get a per diem allowance of \$15 per day. I forget just the day when that was brought into being, but it was brought in by the new board some few months ago.

Mr. MACMILLAN: That is since the new board?

Sir HENRY THORNTON: Yes, Mr. MacMillan.

Mr. BELL: Mr. Chairman, referring back to Mr. Power's question, as to the fact that he asked for the number of tie contractors, and that he could not get the information in the House, I would raise the constitutional question,—

Mr. POWER: Come over on our side.

Mr. BELL: That this committee should not grant this information to Major Power until it has been decided by the House that he should get the information asked for.

The CHAIRMAN: Mr. Bell, I have already ruled that, as these ties were purchased under a special unemployment relief guarantee, and do not form any part of the Canadian National budget referred to this committee, it is not within the purview of this committee to deal with the question.

Hon. Mr. EULER: Have any ties been purchased during the last year, outside of those authorized in that way?

Mr. VAUGHAN: No. We had an old contract, in connection with the sale of some property, which takes care of some 150,000 ties a year; but no new contract.

Mr. DUFF: On a point of order, if I understand the question correctly, as to the purchase of these ties under the Unemployment Relief Act, I understand that a lump sum was to be passed over to the railway for the purchase of these ties?

The CHAIRMAN: A maximum sum.

Mr. DUFF: Whatever the ties cost. Now then, I think we are entitled to go into this matter because those ties would be and are being purchased by the Canadian National Railways and cheques will be issued to the contractors by the Canadian National Railways, and the amounts will go through the Canadian National Railways; and in the end the amount would be paid by the Government to the Canadian National Railways. So that I think we are quite in order in asking for that information as to the expenditure of money for these ties.

The CHAIRMAN: I have already ruled upon this matter. The Committee may overrule me.

Mr. POWER: I understood, Mr. Chairman, shortly before Mr. Bell brought this up, that we were to get this information.

The CHAIRMAN: Not from me, sir.

Hon. Mr. MANION: I said that I have no objection to the list of names. Some of the Committee object to it being given. I am in the hands of the Committee, the same as my friend.

Mr. POWER: I understand that the Minister is willing.

Hon. Mr. MANION: Yes, on the condition that we get the lists of other years as well.

The CHAIRMAN: What is the wish of the Committee? If there is no motion, we will proceed to other business. As far as I am concerned, you are not to have it, unless the Committee decide otherwise.

Mr. POWER: I appeal from your ruling.

The CHAIRMAN: Very well, put it in writing.

Mr. DUFF: I do not think we should have any voting upon it. The Committee should have the information. If we go back to the Minister next year and ask who got employment under the Unemployment Relief Act, he will say that he has not the information and that the Government passed it over in a lump sum. If we cannot get it from this Committee, we cannot get it from the House.

The CHAIRMAN: That would be too bad. I think I am sound in my ruling.

Mr. POWER: Technically, Mr. Chairman, I think you are.

The CHAIRMAN: What is the will of the Committee? Do you want this information or do you not? I do not care anything about it myself.

Mr. POWER: I would like to have it, and I would move that we have it.

Mr. MUNN: I second that motion.

Mr. BELL: I still insist, Mr. Chairman, on the constitutional question that this information, if it cannot be obtained from the House it cannot be obtained through a Committee of the House.

The CHAIRMAN: I would have to rule upon that motion, that Mr. Power cannot get that information here. Mr. Power appeals from the ruling of the chairman. Shall the Chair be sustained? Will the secretary count the numbers voting?

The CLERK: Seven.

The CHAIRMAN: Those against the appeal from the ruling of the Chair?

The CLERK: Seven.

Mr. BEAUBIEN: Is the Minister not obliged to vote?

Hon. Mr. MANION: If I am to vote, I would vote that the chairman be sustained. I was fair enough not to vote. I have voted now, and that settles that.

The CHAIRMAN: Then the ruling is sustained, and we pass on to other business.

Gentlemen, when we were meeting a week ago we were taking up the annual statement of the president, and we have proceeded so far as the question of operating expenses, on page 7. Is there anything arising out of that statement, as far as it has gone, about which the Committee wishes to carry on any discussion?

Mr. BEAUBIEN: The other day I asked if the Committee would give me certain information in regard to the Chateau Laurier.

The CHAIRMAN: Mr. Beaubien the other day asked for certain information in respect to the Chateau Laurier? Is the management ready to make any statement on that point now?

Sir HENRY THORNTON: I did not hear the question.

The CHAIRMAN: Mr. Beaubien on the 12th April, requested information respecting the improvements made at the Chateau Laurier, Ottawa. Is that information available at present?

Mr. MACMILLAN: What page is that?

The CHAIRMAN: It is in No. 3 of the Minutes of Proceedings and Evidence, and in the Evidence at Page 53:—

Mr. BEAUBIEN: Might I ask that the officials of the Canadian National Railway give this information. I have had a lot of correspondence, and there have been rumours in the country as a whole, substantial rumours, in regard to improvements to the Chateau Laurier or changes that were made in the Prime Minister's house. I should like to ask who it was requested by, and what was the cost.

I suppose the "house" means "suite."

The information is not available to-day, I am told.

Mr. BEAUBIEN: And I have not brought my brief down.

The CHAIRMAN: Is there anything arising out of pages 5, 6 and 7, so far as we have gone on the statement of operating revenues?

Hon. Mr. EULER: What are we at, Mr. Chairman?

The CHAIRMAN: At the last meeting, a week ago, we read over pages 5, 6 and half of 7 of the president's report to the Minister, which, as you will recall is the regular routine; and discussion often arises out of that. We had a discussion on the question of motor vehicle traffic on the last day, that comes under the very last paragraph before Operating Expenses. These figures, of course, are very startling, and I do not know whether I should say illuminating or not, but I hope members of the committee as well as members of the house have studied these figures, because to me they are very startling, and they press in upon us the seriousness of the situation, so far as they affect the credit of the country and the whole railway situation in the country.

Mr. DUFF: Is there anything new about it, Mr. Chairman?

The CHAIRMAN: I will leave the opportunity open, if any member wants to make an observation.

Sir HENRY THORNTON: I would say this, bearing upon the whole general question, more particularly as it relates to this year. We find that for the first three months ending March 31st this year, our system's revenues were down \$8,590,000, or 17·8 per cent. Our expenses are down \$8,902,000, or practically the same amount, 17·8 per cent.

For class 1 roads in the United States, for the two months ending March 1, revenues were down 22·8 per cent, and expenses were down 22·2 per cent. That is just an indication of how things are going this year. It is indicative of the fact that we are now meeting the decreases in revenue with decreases in expenses; and our reduction in revenues is 17·8 per cent, as compared with a somewhat similar period in the United States of 22·8 per cent; so that from a revenue point of view we are slightly better than the average class 1 railway in the United States.

That has no direct bearing on this report but at the same time it has more or less bearing upon it.

Hon. Mr. EULER: Would it be fair to make a comparison with the other Canadian railway?

Sir HENRY THORNTON: I have not got it at the moment. It could be done as soon as their report is out.

The CHAIRMAN: Shall we proceed or is there any discussion arising out of this aspect of the question?

Mr. MACMILLAN: I move that we adjourn, Mr. Chairman. It is now 10 minutes to 1.

The CHAIRMAN: Until when? To-morrow morning at 11 o'clock.

The committee adjourned to meet, Wednesday, April 27, at 11 o'clock a.m.

Room 231,

HOUSE OF COMMONS,

April 27, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Mr. Hanson presiding.

The CHAIRMAN: Sir Henry Thornton has requested an opportunity to make a statement to this Committee this morning. One of the things that I undertook with Sir Henry Thornton, when I became chairman of this Committee, was that he would have full opportunity for a full defence and fair play. I am going to ask the Committee to hear Sir Henry Thornton at this time.

Sir HENRY THORNTON: Mr. Chairman and gentlemen: Pursuant to the resolution of your Committee, dated April 12, 1932, calling for a copy of any resolution passed by the Board of Directors in relation to the provision of a house in Montreal for the President of the Canadian National Railways and any other information of a written character, together with a memorandum covering the whole transaction, there are filed herewith certified copies of all resolutions appearing in the minutes of meetings of the directors, also a copy of the lease.

The executive committee of directors on September 17, 1929, passed the following resolution:—

Whereas in the opinion of the executive committee a suitable residence in Montreal for the Chairman and President of the company is essential for the proper conduct of the company's business, it was unanimously resolved that the executive committee should undertake to lease a suitable and properly equipped residence for the use of the Chairman and President of the company under such terms and conditions as the committee may subsequently deem proper.

The Board of Directors on September 23, 1929, passed this resolution:—

Resolved that in the matter of the leasing of a suitable residence for the use of the Chairman and President of the company in Montreal, the resolution adopted by the executive committee in this respect at its meeting on September 17 is approved, and the committee is hereby authorized to lease a suitable and properly equipped residence for the use of the Chairman and President of the company under such terms and conditions as the committee may subsequently deem proper.

The minutes of the meeting of the Executive Committee of the Directors held on March 24, 1930, read as follows:—

The President then left the meeting and reference was made to the resolution of the directors passed on September 23, 1929, regarding the provision of an official residence for the President and to the unsuccessful efforts made to secure one.

It was decided that in order to carry out the intention of the directors as from the date of such resolution an adjustment should, when the residence was purchased, be made with the President in respect of rental, as of the date of his present contract.

The Executive Committee of the Directors on June 16, 1930, passed the following resolution:—

Resolved that the company rent from George H. Seguin, for a term of ten (10) years, commencing on the first day of August, nineteen hundred and thirty (1930) and expiring on the thirty-first day of July, nineteen hundred and forty (1940), that certain house bearing No. 1415 Pine Avenue West, in the City of Montreal, for an annual rental of fifteen thousand seven hundred and twenty-five dollars (\$15,725), payable quarterly on the first days of February, May, August and November of each year, the first payment to become due on the first day of November next (1930), and subject to the following conditions on the part of the company, namely:—

To keep the house in good order of repairs during the entire term of the lease.

To use the premises as a private residence only, and for no other purpose.

To pay all taxes and assessments, general or special, or of any nature whatsoever which may be imposed on said property during the term of the lease.

The minutes of the meeting of the Executive Committee of the Directors held August 7, 1930, are as follows:

It was decided that the approval of the Executive Committee given on June 16, 1930, to the lease to the Company of a house (No. 1415 Pine Avenue West) as a residence for the President, as approved by the Directors September 23, 1929, be now entered in the minutes of the said meeting of June 16, 1930.

When I came to Canada to discuss with the then Government the question of my acceptance of the post of President of the Canadian National Railways, I expressed the opinion to the Government of that day that the task I was asked to undertake was one of the greatest difficulty, in view of the financial position of the enterprise and other attendant features; further, that I was willing to undertake it at a salary of \$50,000 per year if it was understood that this compensation should be materially increased if I succeeded, with the aid of the staff, in bringing about any marked improvement in the operating and earnings results.

In 1928 some of the Directors intimated to me their desire to vote me a bonus of \$100,000 as recognition of what had been accomplished in the previous five years, informing me that similar action had been taken by other companies. I considered the proposal, but preferred not to accept it because I felt that it was hardly fair to other executive officers who had given highly effective service.

The records show that at that time I was under contract until October 4, 1930, and the then Board of Directors felt that in recognition of the improved showing of the system it was only fair that a new contract be arranged on a basis which would substantially increase the payments to me; in other words, it was considered that the time had arrived when the compensation of the President should be made comparable with that of other large railway systems.

Having rejected the suggestion that a bonus of \$100,000 be paid me in recognition of past services, I accepted the proposal made at that time by the then Board of Directors that, as some recognition of the value of my services, the railway provide an official residence for the head of the enterprise not only on that account but because in the judgment of the Board it was considered desirable that the head of the organization should be provided with a suitable residence for the fulfilment of many duties which fell upon his shoulders.

It is not unreasonable to point out that I have in every way endeavoured to co-operate with the views of the present Board and to relieve the company of further expenditures on my behalf. Although the resolution relating to the provision of the house stated that the house should be "properly equipped," in view of subsequent adverse financial conditions I voluntarily undertook the financing of all repairs, conditioning, furnishing and equipment for the house, have also stood personally all upkeep and maintenance charges since occupancy, and in this respect I assumed a heavy burden running over fifty thousand dollars which the original resolution in no sense contemplated. Consequently the provision of the house rent free, instead of being an asset has proven a considerable liability.

The contract as finally negotiated between the government and myself provided for a payment of \$75,000 per year and reasonable expense allowances. The members of the then Board of Directors and the Hon. C. A. Dunning, Minister of Railways and Canals at that time, confirm, that the amount of expense allowance was to be determined by the Board of Directors. The expense allowance was fixed at \$15,000 per year and was designed not to cover many necessitous expenses incurred through my office, but official expenses which attached to the position of head of the Canadian National Railways.

The Directors also determined that it was proper for me to receive a \$5,000 contribution from the Ontario Car Ferry Company, an enterprise not controlled by the Canadian National Railways but jointly owned with the Buffalo, Rochester and Pittsburg Railway, and, in addition, \$5,000 on account of my presidency of the Central Vermont Railway and a similar amount on account of my presidency of the Grand Trunk Western Railroad, both subsidiaries of the Canadian National.

To clarify the situation, at this point, I lay before you an interchange of cablegrams between Mr. Tom Moore, now at the International Labour Conference in Geneva, a member both of the former and the present Board, and myself:—

MONTREAL, April 20, 1932.

MOORE, Canada of, Geneva.

Questions being raised in Committee of House as to payments and allowances made by Directors in addition to straight salary covered by contract especially in view limitation as to salary contained in said contract. My understanding is that at time contract was made in 1929 entire matter was discussed with Minister Railways and it was understood Board of Directors were free to grant at their discretion other annual payments and allowances, as for instance payment to me from Central Vermont and Grand Trunk Western, and could also at their discretion provide free house, and in pursuance thereto action of Directors was taken accordingly covering items above. Would appreciate cable from you setting out if this is your understanding and confirm my understanding that above is in accordance with the facts.

THORNTON.

GENEVA, 1932, April 21, a.m. 3.15.

THORNTON, Canadian National, Montreal.

Believe your understanding to be correct and am convinced government were satisfied to leave Directors free to make extra allowances referred to and that same were not considered as conflicting with terms of your contract.

MOORE.

The former Minister of Railways and Canals, the Hon. C. A. Dunning, states, and is prepared to confirm, that,—

The salary contract with Sir Henry Thornton provided for \$75,000 annual salary and also provided that reasonable expenses should be paid. The Board of Directors have exactly the same authority over Sir Henry Thornton's expenses as over all other expenses of the Canadian National System.

The following legal opinion was supplied me by Messrs. Campbell, McMaster, Couture, Kerry & Bruneau, Advocates and Solicitors, Montreal,—

This is signed by Mr. Campbell.

I have examined the terms of the Agreement between His Majesty the King, represented by the Minister of Railways and Canals, and yourself dated the 23rd of October, 1929, and also the Agreement between you and the Canadian National Railway Co., dated the 23rd of September, 1929, and various resolutions of the Board of Directors and Executive Committee of your Company, submitted in reference to your emoluments and allowances.

After careful consideration of these various documents, supplemented by discussion with yourself, I am of opinion that there is nothing in your contract with the government, or with the Canadian National Railways, which would prevent the Directors of the Canadian National Railway Co. from adopting the various resolutions submitted to me in reference to your emoluments and allowances, over and above your stated salary of Seventy-five thousand dollars (\$75,000) per annum.

I am of opinion that the various actions taken by the Directors of the Canadian National Railway Co. in the matter, as set out in these resolutions, were within their powers under the Statutes governing the Company and the By-Laws heretofore enacted by it, and approved by the Governor General in Council.

Previously in this memorandum it is stated that in 1928 I was approached by some of the directors with respect to a bonus of \$100,000, but declined to accept it. I, however, approved of the suggestion put forward by some of the Directors that the railway should equip itself with a house for the use of its chief executive officer. The transaction in connection with the house is outlined as follows by Mr. J. Gill Gardner, a member of the former Board of Directors:—

In the Spring of 1929, the Directors had under active consideration the question of making a new financial arrangement with respect to the services of the Chairman and President.

It was observed that various large commercial concerns deemed it advisable to provide official residences that remain available for persons from time to time holding high executive positions.

The Directors had in contemplation in the first place the purchase of an official residence, but eventually it was decided to avoid a capital commitment, and on September 17, 1929, the following resolution was passed by the Executive Committee, namely:—

Whereas in the opinion of the Executive Committee a suitable residence in Montreal for the Chairman and President of the Company is essential for the proper conduct of the Company's business, it was unanimously Resolved that the Executive Committee should undertake to lease a suitable and properly equipped residence for the use of the Chairman and President of the Company under such terms and conditions as the Committee may subsequently deem proper.

On September 23, 1929, the Board of Directors passed a further resolution reading as follows:—

Resolved that in the matter of the leasing of a suitable residence for the use of the Chairman and President of the Company in Montreal, the resolution adopted by the Executive Committee in this respect at its meeting on September 17 is approved, and the Committee is hereby authorized to lease a suitable and properly equipped residence for the use of the Chairman and President of the Company under such terms and conditions as the Committee may subsequently deem proper.

I may again observe at this point that concurrently the question of salary was under consideration but was settled subsequently after the decision to provide a house. I may explain that under the above resolution the house was to be a "properly equipped residence," but, as a matter of fact when the question of proper equipment arose later, the President voluntarily assumed the necessary expenditure himself.

Pursuant to resolution (copy attached) of June 16, 1930, a house bearing No. 1415 Pine Avenue West, Montreal, was duly leased from George H. Seguin to serve as an official residence of the Company.

There appears to be some misunderstanding as to the purchase of the house in question which was for sale by the then owner. The Company however had nothing to do with any purchase; it simply leased the property from the above-named lessor upon the terms and conditions set out in a copy of lease hereto attached.

May I add that the proposal was favourably discussed with the Acting Minister of Railways and Canals, the Hon. James A. Robb.

As one of the former Directors I have full knowledge of the transaction, and in closing I desire to observe that the Directors were animated only with good-will towards the enterprise and the President, in view of the fact that largely through his efforts a homogenous railway system highly efficient with an enthusiastic loyal personnel had been created from several competing railways and antagonistic staffs.

May I add that in 1922 the financial showing of the all inclusive system was as follows:—

Net revenue from operation.. . . .	\$ 4,726,951
Available for interest.. . . .	1,211,921
Deficit after interest to public.. . . .	33,911,315

whereas in 1928 it had become as follows:—

Net revenue from operation.. . . .	\$ 56,039,462
Available for interest.. . . .	45,131,694
Surplus after interest to public.. . . .	3,185,686

The president Board of Directors continued the payments until I relinquished the amounts from the Central Vermont and Grand Trunk Western Railways.

I believe it to be necessary, as a matter of justice, to take this opportunity to express to the Select Standing Committee on Railways and Shipping the opinion that the situation relating to expense accounts of officers and employees, club dues, etc., has become distorted in the public mind, the situation portrayed by the press reports tending to create the idea that there has been widespread wrong-doing. Justice to those concerned impels me to take this opportunity of informing you that it is my considered opinion that there is no ground whatever for that belief. Both in point of efficiency and honesty the personnel of the Canadian National System measures up to high standards.

It should be recognized, in dealing with such a subject as the total travelling expenses of such a huge system, that while the figure may appear large, it is in a comparative sense moderate. The amounts of approximately \$1,900,000 in 1930 and \$1,600,000 in 1931 are repeatedly referred to as being entertainment expenses of the officials and, in some cases, as being the entertainment expenses of the executive officers. The amounts, in point of fact, represent a year's travelling activities on the part of 3,500 Canadian National men, of whom 712 are officers. The travelling expenses include all payments at hotels, whether they be owned by the company or by others, sleeping car fares, meals and incidental expenses which are necessary. It must be remembered that on a railway such as the Canadian National, there are many hundreds of men who are almost continuously away from their homes on company business. The average of these travelling expense accounts works out at about \$40 per month per man whose duties call for expense disbursements. In 1931 the travelling expenses of the 712 officials, as distinct from other classes of employees, amounted to \$514,000.

Another statement which has attracted wide attention is to the effect that the railway is disbursing an amount of \$100,000 a year in dues for social club membership for officers and staff. There is nothing, either in 1930 or in any other year, to support this statement. The highest amount disbursed in any year on that account was \$20,000, and no such payments are now authorized except after the most careful consideration by the Board of Directors as to the necessity of such club membership. As a matter of fact, it is a well known practice of large business organizations to have their officers become members of important clubs where contact is made with prominent and influential men. I know of no enterprise which has for its object the sale of services or products to the public which is completely immune from the necessity of a reasonable degree of entertainment to patrons and clients. The Canadian National is no exception to the prevailing practice. For dues in business clubs the railway expended in 1930 and 1931 an average of \$18,016. The summary of all club membership expenses, both business and social, during 1930 and 1931 is as follows:

	1930		1931	
	Entrance Fees	Annual Dues	Entrance Fees	Annual Dues
Business Clubs.. . . .	\$ 1,294 00	\$18,640 55	\$ 356 50	\$17,393 79
Social Clubs.. . . .	9,543 00	19,948 32	2,920 50	17,696 84
	<hr/> \$10,837 00	<hr/> \$38,588 87	<hr/> \$3,277 00	<hr/> \$35,090 63

The amounts expended for business clubs represent memberships in Boards of Trade, Chambers of Commerce, associations of traffic, mechanical and other railroad officers, etc.

The progressively improved results of the Canadian National Railways since January 1, 1923, and until the cyclone of depression struck us all, may be attributed in a very large degree to the devotion and efficiency of its officers and in no less degree to the enthusiastic loyalty of thousands of employees from the Atlantic to the Pacific without whose co-operative effort progress would have been unattainable. I rejoice in the opportunity to again express my appreciation and gratitude to all of those in the service of the Company who have, in fair weather and foul, given to the enterprise continuous and unwavering loyal support.

This statement, Mr. Chairman, I submit:—

On this day, the eighth of the month of August, nineteen hundred and thirty;

Before Mtre. Lionel Joron, the undersigned Notary, duly admitted and sworn in and for the Province of Quebec, residing and practising in the City and District of Montreal;

Came and appeared: G. Henri Seguin, residing in the City of Montreal, Notary, hereinafter called the "Lessor," who doth hereby lease for the term of ten years (10) commencing on the first day of the month of August, nineteen hundred and thirty (1930), and expiring on the thirty-first day of July, nineteen hundred and forty (1940), unto Canadian National Railway Company, a corporation duly incorporated, having its Head Office in the City of Montreal, herein acting and represented by Sir H. W. Thornton, of the City of Montreal, President of the said Company, and R. P. Ormsby, of the City of Montreal, its Secretary, both hereunto duly authorized in virtue of a resolution of the Board of Directors of said Company passed at its meeting duly held at the City of Montreal on the fifteenth day of the month of March, nineteen hundred and twenty-six (1926), copy of which resolution will remain annexed to the original hereof, after having been signed *ne varietur* by the undersigned Notary, hereinafter called the "Lessee," hereto present and accepting for itself, its successors and assigns, the following immovable properties, namely:—

DESCRIPTION

"A" An emplacement fronting on Pine Avenue, in Redpath, in the City of Montreal, containing one hundred and fifty-five feet in width in Pine Avenue and being composed of:—

(a) Subdivisions forty-two and forty-three of Original lot number one thousand seven hundred and fifty-five (1755-42 & 43), upon the official plan and book of reference of the St. Antoine Ward;

(b) The Southwesterly part of subdivision number forty-four of said original lot number one thousand seven hundred and fifty-five (1755 S.W. pt. 44), upon said official plan and book of reference, measuring twenty-five feet in width in front and in rear by the whole depth of said subdivision number forty-four, bounded in front by Pine Avenue, in rear by subdivision numbers eighty-one and eighty-two (81 and 82) on the North East side by the remainder of said subdivision forty-four and on the South-West side by subdivision forty-three of said official lot.

"B" An emplacement also situate in Redpath Crescent, in "Redpath", composed of:—

(a) The South-West portion of subdivision number eighty-one of said original lot number one thousand and seven hundred and fifty-five (1755-S.W. pt. 81), containing twenty-three feet nine inches in front and six feet ten inches in width in rear by a depth of ninety-nine feet one inch in the South-West side line and one hundred and two feet eight inches in the North East side line, bounded in front by said Redpath Crescent, in rear by subdivision number forty-four of said original lot number one thousand seven hundred and fifty-five, to the South-West by subdivision number eighty-two of said official lot and to the North-East by the remainder of said subdivision number eighty-one of said original lot number one thousand seven hundred and fifty-five;

(b) Subdivisions numbers eighty-two and eighty-three of said original lot number one thousand seven hundred and fifty-five, upon said official plan and book of reference, with the house thereon erected bearing civic No. 1415 of said Pine Avenue, whereof both gable walls are entirely built on the above described immovables with which the Lessee declares itself content and satisfied.

CONSIDERATION

The present lease is so made for and in consideration of the sum of One hundred fifty-seven thousand two hundred and fifty dollars (\$157,250) during the term of said lease to be accounted and reckoned

from the first day of the month of August Nineteen hundred and thirty (1930), and payable as follows:—

Fifteen thousand seven hundred and twenty-five dollars (\$15,725) per year in and by forty quarterly, equal and consecutive payments of Three thousand nine hundred and thirty-one dollars and twenty-five cents (\$3,931.25) each payable on the first day of the months of February, May, August and November of each year, whereof the first payment will become due on the first day of the month of November next (1930) and thus to continue up to and including the thirty-first day of the month of July Nineteen hundred and forty (1940).

CONDITIONS

The present lease is so made subject to the following charges and conditions which are of the essence hereof and to the fulfilment whereof the Lessee binds and obliges itself, namely:—

1. To pay the cost of this deed and a certified copy therefor for the Lessor;

2. To pay the water tax and all other taxes and assessments general and special affecting said immovables from this day and the proportion from this day of those for the current year as well as any and all instalments to become due from said date of any special assessments, payment whereof is spread over a term of years;

3. To execute all repairs of any nature whatever in the above described and presently leased premises and Fire Insurance premiums;

4. To comply with the conditions and stipulations relative to the use of the premises as set forth in the title deeds of the Lessor, namely:

“No building shall in any event be a tenement or apartment house, or be so constructed or divided within as to permit of its being occupied by two or more families having each a distinct portion of the building not communicating from within: Any building erected upon the said property must be used as a private residence only, or as the accessory of such, and not as a school, hospital, tavern or for any purpose of trade, business or manufacture, or for the purpose and business of any Corporation of a public character”.

5. To leave and abandon the hereby leased premises at the expiration of the present lease in as good order and condition as they were at the time the Lessee took possession thereof.

6. To submit to all passive servitudes affecting the hereby leased property, with the right of exercising all active servitudes attached thereto, and generally to fulfil to the exoneration of the Lessor all obligations to which he may be bound under his deed of acquisition and to hold said Lessor harmless and indemnified in respect thereto.

Whereof Acte:

Done and passed at the said City of Montreal and of record in the office of the undersigned Notary under the number fourteen thousand and sixty-nine of the Minutes of the said Notary.

And, after due reading hereof the Parties signed with and in the presence of the undersigned Notary.

(Signed) G. H. SEGUIN,
H. W. THORNTON, *President*.
R. P. ORMSBY, *Secretary*.
LIONEL JORON, *Notary*.

True copy of the original hereof remaining of record in my office.

LIONEL JORON,
Notary.

Mr. McGIBBON: Mr. Chairman, I hold in my hand a copy of the agreement with Sir Henry Thornton. I have repeatedly said I do not know what he is worth,—I do not particularly care. I have repeated that from the first. His contract called for \$75,000 and reasonable out-of-pocket expenses. Now, a contract, to my mind, is a contract; and I have always taken the ground that if Sir Henry was worth more or thought he was worth more he should come to the Government of Canada, who represent the people who own this railway and there demand it and get it, if he could. If the people did not think he was worth it, it was another question. I resented and resent now these round-about, underhand ways of getting increased salary.

In regard to those expenses, I took occasion the other day to enquire into them. During the last five months, if continued for twelve months, the saving will be three-quarters of a million a year. Now, when you can get cut off three-quarters of a million dollars on a two million dollars account, it is a material saving; and so, to my mind, something must have been pretty loose before.

As far as club dues are concerned, I do not know why any official getting the salaries which are paid to the officials of the Canadian National Railways should want the public to pay their club dues. I totalled them up as Sir Henry was going along, and I think they ran to about \$48,000 all told. If this road was progressing and if the people did not have to put their hands in their pockets for about \$100,000,000 a year, it would be a different picture altogether.

The attitude which I have taken all along is this: This railway is a danger to the country, and in times of depression like this, when thousands are being kicked off at the bottom and people's wages are being reduced, the economy should start at the top and the example should start at the top. If we cannot trust those who are leaders in industry, in finance, in business and in politics to set an example which will take this country through this depression with the least disturbance, and that will leave the people in the best frame of mind, where are we going to get leadership?

As I said before here, I got this information a year ago, and it has not been materially changed. I said nothing publicly, hoping that this thing would be changed from the top and some example would be set here. I will grant that there has been a reduction there of three-quarters of a million dollars. I think probably they should have credit for that; and I think part of it is due to the fact that we stirred it up last year.

As far as Sir Henry's salary is concerned, I do not pretend to know what he is worth; but I resent, on behalf of the Canadian people, these underhand ways. I am not blaming Sir Henry Thornton,—the Board of Directors should take most of it, for these underhand ways of getting around an agreement, and that agreement was with the Government of Canada and was not with the Board of Directors.

The Government of Canada are the ones who hired Sir Henry Thornton, and they definitely stated in the contract here what his salary was to be, \$75,000 and reasonable out-of-pocket expenses, and they named it to be for all the subsidiaries. In the face of that, I do not know how any man can go and take salaries from subsidiaries, after signing an agreement to the contrary. That is all.

The CHAIRMAN: What is your pleasure in respect to the statement? Shall it go into the minutes? I think it ought to be printed in the minutes, and in addition to what is here, I suggest that the contract should be printed in the minutes.

Hon. Mr. EULER: I will second that. I have not much to say, because I believe that the statement made by Sir Henry Thornton speaks for itself; also I take it for granted that the prime object in the minds of every one of us, whether we agree or disagree, is the good of the Canadian National Railways; and I deprecate very much anything that may or would take place in the Committee which is in opposition to that thought.

The CHAIRMAN: You would include in that, would you not, the Canadian people?

Hon. Mr. EULER: I have always taken it that they were synonymous. The Canadian people own the Canadian National Railways, and the two are synonymous.

The points of criticism have been the salary and remuneration given to the President over and above the \$75,000, as given in his formal contract, and the added expense account; and very little has been said just now by Dr. McGibbon with regard to the expense account. It certainly seems to me a very reasonable explanation.

I have no brief for anybody in particular, but it seemed to me a very reasonable explanation of that expense account, that after all, men who are travelling in the interests of the Canadian National Railways average only something like \$40 a month. I think if comparisons are made with the expenses of other large enterprises, that the judgment would be that these expenses were not excessive. That, of course, might be a matter of opinion and matter for proof.

With regard to the salary of the President and the emoluments given to him, there is no dispute that he was directly given a salary of \$75,000 plus reasonable expenses, the expenses to be decided by the Board itself. That would make some \$90,000. There was an additional amount, I think, of \$5,000 for each of the two roads that operate in the United States. That may be open to question and may be open to arguments, and there may be a difference as far as opinion is concerned, as to whether the Board should have given that, or for that matter whether Sir Henry should have accepted that. I think, however, he is on pretty sound ground when he has that opinion, a legal opinion, if you like, and he has the resolutions of the Board to back him up in that. I would also say, however, that I think he has acted pretty well in giving up those emoluments altogether.

Then we have the matter of the house. Possibly here the opinion of the committee might censure the government for what was done. I, as a member of the Government, although I had no knowledge of the transaction with regard to the house—and I say that quite frankly—am quite ready to accept any responsibility in regard to that.

In fairness to Sir Henry, I think it should be stated that when the arrangement was made with regard to the house it was with the knowledge of, call him his superior officer, if you will, the Minister.

I would say further that there may be some criticism coming to the Board of Directors and there might be some criticism coming to the present Board of Directors that they continued some of these payments after some of the members of this committee last year expressed at least disapproval of what had been done. I may say that I make no special plea for the former Government. The former Government did what they thought the people of Canada wanted them to do, administer the railway through a Board with no interference whatsoever, or as little as possible—and I would say no interference at all as far as they are concerned. That meant giving the Board the complete management of the road; and for one I believe that is the only way in which that road can be managed properly. Run it pretty nearly as much as possible as any privately run road can be conducted.

The CHAIRMAN: Mr. Euler, would you allow me a question? You do not mean to include in that complete operation and the complete running of the road, that they would in any way contravene the statute as to capital commitments?

Hon. Mr. EULER: Oh, no. The former Government was always compelled to submit to parliament capital expenditures. I cannot recall in all that period,

up until the time that the railways found financial difficulties, the same as all other enterprises, that anybody, without regard to party, raised any objection; nor was objection raised in the House. If there has been any fault by the former Government it was, I think, that they tried to act up to that definite principle of non-interference with the Canadian National Railways. I think they were right in that; and I want to express the hope—and I am making no criticism when I say this—that no matter what has been done in this committee or what may be done, that practice will continue, because if it does not, if there is too much interference or if there is any interference, too much dictation as to the management of the Canadian National Railways, it can only result in difficulties.

Hon. Mr. MANION: I would interject that there has not been any interference by this present Government with the internal management of the Canadian National.

Hon. Mr. EULER: I accept that statement. I lay it down again—perhaps I am not the one to say it—that in my opinion the Canadian National Railways can only be injured by any government, whether it be Liberal or Conservative,—

The CHAIRMAN: Or a Labour government?

Hon. Mr. EULER: Or a Socialist government—if it interferes with the internal conduct of the Canadian National Railways. This was not in my mind to say when I rose to speak; in fact, nothing particularly definite was in my mind when I did rise. I believe it would be in the interests of the Canadian National Railways—and I do not say this because it is now a Conservative government—if the Board could be composed of people who had no political relations or affiliation whatever. This is not by way of any criticism of the present government.

I am glad Sir Henry has made the statement. I believe it clears the atmosphere and clears away a good many misconceptions which have been noised abroad through the press, and which have been a misfortune, I think, for the Canadian National Railways.

I would say, in conclusion, that after the President took charge of the organization, from that time on, gradually and progressively, the people of Canada and the parliament of Canada gave a great deal of credit to the management of the road for taking it from a position where they made a difference, in the period from 1922, I think it was, until 1928, of some forty or fifty million dollars on the right side of the ledger. I think that was an accomplishment worth while; and the point I make is that it was the unanimous opinion of the people of Canada, regardless of party, and the members of both parties voiced it in the House, that a great accomplishment had been performed by the management of the railway; and criticism was only voiced at a time when all other lines of business were suffering very seriously.

I think we have figures in our reports to show that the National Railways are suffering not only from the present depression but from special circumstances in the same way as its competitor, the Canadian Pacific Railway, that is competition from trucks; and from that the loss of traffic, as shown by percentages, has been about the same in the two railways, and practically the same as in the great railways in the United States.

Now, summing it all up, Mr. Chairman, I do not know whether this thing has come to an end—I wish it had, in the interests of the railways themselves—in regard to the two criticisms which have been made, one in regard to the criticism which has been discussed pretty freely. I am inclined to agree with Dr. McGibbon that it would have been better all around if the salary of the executive were an absolutely fixed sum with nothing on the side, if you want to put it in that way; although I do not agree with the statement made twice by Dr. McGibbon that there was anything underhand in regard to it. I think the committee should absolve Sir Henry from any such charge.

The other is the matter of the expense account, with which I have dealt already.

I want to thank the committee for listening to me; my remarks have been somewhat rambling, but I have said, I think, all I need say.

The CHAIRMAN: Before you proceed, may I ask a question. Is it your idea that this committee should not have gone into any of the matters in Sir Henry's statement? If so, what do you conceive the functions of this committee to be?

Hon. Mr. EULER: I think the functions of this committee are to deal with the financial statement, to pass the appropriations and estimates required and to express an opinion, in the report to the House, as to the policies to be followed by the railroad. I would say this also, that when you appoint a Board of the Canadian National Railways in which you have confidence, and the present Government at least ought to have confidence in the Board which is now in office,—that they have a definite duty to perform, and that our duties should not very seriously combat theirs or interfere with theirs. It is certainly quite all right to investigate anything which you may regard as worthy of investigation, or anything which you may think is the object of suspicion; and I would say that if there is anything shown which shows anything in the way of wrong-doing or graft, you will find me supporting the investigation. I say that in all sincerity; but I do not think it is the work of the committee to do the work of the Board of the Canadian National Railways.

If we felt as some of the members here did,—I do not criticize them for that,—I suggest that there are two ways of doing it, first, to express what we felt to the Board of Directors, and then let them make their investigation. I think that is fair to the Board of Directors.

Again, I do not care to criticize in regard to the sub-committee,—I think I did not act. I do not think it was the duty of the members of the committee personally to investigate the accounts. We have auditors who can do it probably better than we can do it ourselves. I did not intend to say that, but it was brought out by the question asked by the chairman.

The CHAIRMAN: Mr. Chaplin wants to address the committee.

Hon. Mr. CHAPLIN: I think the committee, Mr. Chairman, are more or less glad to have a statement from Sir Henry Thornton. The statement speaks for itself. The action of the old Board of Directors also speaks for itself. I would like to know if there is any member of this committee would defend for one minute the action of the old Board in respect to the one matter that is under discussion, and that is the salary of Sir Henry Thornton. Is there anybody in the committee who would defend that action? And that is where Sir Henry has been well bolstered by the Board of Directors. I say that not in any terms of criticism, but the fault is as much with the old Board as with anyone else; but I do not think it exonerates Sir Henry Thornton in accepting emoluments which he took from this company. That is my view.

Sir Henry Thornton hands us the opinion of a lawyer. If I am going to take the opinion of a lawyer, we would not need any judges. I can get an opinion from one lawyer on a matter, and get an entirely different opinion from another lawyer. If we are going to take the opinion of a lawyer, God only can help us, we do not need judges at all but we can all carry on without.

I also say this, that he also gives us the opinion of Mr. J. Gill Gardner. I am not going to get behind Mr. Gardner or anyone else. I would like to have the opportunity of examining his expense account in the Canadian National Railways.

The CHAIRMAN: If you want it, you may have it.

Hon. Mr. CHAPLIN: I intend to ask for it. I also intend to ask for the attendance of Mr. Dunning here, to ask whether he actually knew of the transactions of this old Board. I think until we do have him here we are not in a position to touch the crux of the situation.

I have nothing to say about the personnel of the higher officials, except this, that as far as I can see the personnel of that Board, the expenses of the higher officials have not been as closely guarded as expenses of the lower down ones. That is a thing I would like to inquire a little more into. I do not believe in the explanation which is made by Sir Henry Thornton as to the average of expenses. The average of expenses does not mean anything to me at all. I want to see what the expenses of the chiefs were.

I know of a case in this railway where a man made a trip all over Christendom at an expense of a sum given as some six or seven thousand dollars. I know the expenses of another one who went to the West Indies for another purpose, to examine the water in the West Indies, probably for the use of the boats. I do not know, but it seems to me that a road which is working under the difficulties which this road is working under, should not go into such things. If a man is going to take a trip, if he is a higher salaried man, let him take his trip and pay for it.

A good deal has been said about the Board of Directors. I want to make this remark. I do not agree regarding the Board of Directors. I do not agree with Mr. Euler that they are to be held responsible. How on earth can a Board of Directors who come there once a month, or even an executive who come oftener, on a salary of \$2,000 a year be expected to know anything about a railroad at all? A railroad of this magnitude cannot be governed by a Board of Directors such as we have here. That is not their fault, I admit; but I am only giving you my opinion.

A Board of Directors should be paid full time, and paid a good salary, and held responsible. Just imagine a Board going down there and having an agenda before them to discuss, and then being held responsible for what is going on. I could talk a good deal longer, Mr. Chairman, but I am in this position, I want to be fair to the railroad. I have always been a supporter of the railroad; three-quarters of the business I do goes to this railroad; and I have never wanted to criticize unduly the railroad. I would rather defend it than otherwise. That is the position I take.

Sir HENRY THORNTON: Mr. Chairman, may I have the privilege of a word?

The CHAIRMAN: Yes.

Sir HENRY THORNTON: Reference has been made to the Board of Directors. Probably any remarks with respect to the activities of the Board would more properly come from some member of that Board other than myself; but I would like to say this: Since the present Board has been in office, relations between the executives, the higher officers and others with whom that Board have come in contact have been cordial and amiable. Every opportunity has been given to that Board, cheerfully, to make examinations and accept suggestions such as are the result of those examinations.

The Board meets once a month. The executive committee meets once a week, and frequently during the interval from one week to another I, as President of the Company have been in contact and consultation with those members of the executive committee, on various subjects, who are available. I can only say to you that that Board has fulfilled its responsibilities with extraordinary vigilance and with every fidelity, with every desire to meet the situation which now confronts the railway. I have worked with them now for nearly eighteen months, and I can say without fear of challenge that in every respect and in regard to every question that may have been controversial we have come to an under-

standing, to an agreement with respect to policy which, in the minds of the Directors and in my mind, would best serve the interests of the enterprise and the people of Canada.

To assume that in any way the Board of Directors has not a sufficient knowledge of the affairs of the company and its policies to intelligently pass thereon, is to assume an inaccuracy. I have served upon many boards in many different countries, and I know of no board which has been more vigilant and which has had more complete opportunities for investigation than the present Board of the Canadian National Railways.

As I said before, probably that statement would come more appropriately from some other member of the Board than myself, and I simply leave it at that. I think there is no member of the Board here present who would deny the accuracy of the statement I have made.

Mr. McGIBBON: I just want to say a word in reply to Mr. Euler about our having auditors. In looking over the accounts, I saw one account which had the following voucher attached, addressed to the President, Dear Sir Henry: My out-of-pocket expenses were nineteen hundred some odd dollars for the present trip. That was passed by the auditors, and that was the only explanation there was. I am not going to give the name.

Hon. Mr. EULER: What year was that?

Mr. McGIBBON: During 1930 or 1931.

Hon. Mr. EULER: During 1931 the Deputy Minister of Railways was one, and several other members of the present Board passed those accounts before they were paid.

Mr. McGIBBON: We may as well be frank. There is no voucher whatever required from higher officials.

Hon. Mr. MANION: I just wish to make it clear, in the first place, that there has been no political interference of any kind by this Government in the administration of the Railways. There has never been a proposal put to this railway management in any shape, manner or form, that was not a proposal to save money.

Hon. Mr. EULER: I have made no charge.

Hon. Mr. MANION: I am not quarrelling with your statement at all, but I am just making this statement in order to put our side of the question before the committee, briefly. Our attitude has been one of necessary economy. When we came in, we found, as was natural under the circumstances, that conditions were bad and were getting worse; and they have been getting worse ever since, so far as earnings of the road are concerned. And, in view of the fact that the Government or the parliament of Canada has to raise money or guarantee bonds to the extent of scores of millions of dollars, to the extent, this year, in round figures, of \$71,000,000, and last year \$112,000,000, my view is somewhat different from Mr. Euler's. My opinion is that this committee should have the right, without feeling that they were doing anything out of the ordinary, to go into any branch of the railway service which they think is being carried on unnecessarily expensively and where they think perhaps there may be economies made.

I frankly tell this to the committee, that I get letters from all over the country complaining about this, that or the other. I frequently take them up; but I ignore anonymous letters—

Hon. Mr. EULER: I was referring to matters of policy.

Hon. Mr. MANION: My friend is entitled to his opinion. I do not know that I would call a saving of half or three-quarters of a million a year a small figure. I frankly say that I think the work of this committee last year had something to do with it. Many of the things with which this committee has dealt I was

dealing with, before this committee undertook to deal with them, through Mr. Smart who is on the Board of Directors as my representative; and, between ourselves, we take some little credit for the economies which have been brought about. I am not saying that by any means, for a moment, as a criticism of the management; but I say that in some instances the management of the road had become too enthusiastic and had gone too far. That is not a criticism of any serious moment, because that is true of many private companies; many private companies had done the same thing. The reason we come into the picture is that we either have to supply the money or guarantee the bonds, which in the long run may come to the same thing.

Hon. Mr. EULER: I was not making any objection.

Hon. Mr. MANION: No, and I am not objecting to what you have said. If I have what looks like a fair complaint, I pass it on to Sir Henry; and if a person seems to have had a hard deal, I ask him to look into it and see that the man gets a fair deal. I presume it was done in the same way by various Ministers of Railways before this.

I ask that the members of the committee shall not cast reflections which should not be cast. They have a right to go into the accounts and cut down in any way they can as long as they do not injure the efficiency of the Canadian National Railways.

Sir HENRY THORNTON: I think, in view of what the Minister has said, I may with propriety say that both he and I have worked together amicably and agreeably and enthusiastically for the purpose of achieving the objective which he and I have had in mind; and I think the Minister will say in every case I have endeavoured to discuss all questions with him, to profit from his counsel, and that we have together worked in our respective capacities for the accomplishment of the purposes which he has named.

Hon. Mr. MANION: That is quite a fair statement. In justice to the members of the present Board of Directors,—I am not going to speak at the moment of the late Board of Directors,—I think they are doing excellent work and they are taking their position seriously; and I agree entirely with what Mr. Chaplin says, that meeting once a month, as they do, and once a week as the executive does, it cannot possibly go into all the details, and in the same way, as I said yesterday, this committee cannot possibly go into all the details. That is what I meant when speaking to Mr. Beaubien yesterday. But the executive committee and the Board of Directors as a whole are doing excellent work and taking their position very seriously, in view of the present financial condition.

Mr. BEAUBIEN: The Minister has said that the Board of the Canadian National Railways had probably gone to a great deal of expense, with too much enthusiasm about the future of the Railway. Probably that statement is correct, but it implies that we are simply victims of circumstances. The railway is in no different position than the rest of us.

Hon. Mr. MANION: Except that we have to check them up, whereas with private companies we do not.

Mr. POWER: Arising out of the statement of Sir Henry Thornton and that of my friend, Mr. Chaplin, I think perhaps we have a fruitful source of discussion. Referring for a moment only to the statement of Sir Henry Thornton, which, as far as I am concerned, was entirely satisfactory, I hate to disagree with my good friend, Dr. McGibbon at all in his characteristic charge as to the manner in which this additional salary was voted to Sir Henry. I personally cannot see anything underhanded, that is in the method of procedure, when the Board of Directors and the Minister apparently approved, in the cases of the two subsidiary railways and the matter of the house which is also dealt with.

The CHAIRMAN: However, are you not overlooking altogether one of the vital parts of Sir Henry's contract when you make that statement?

Mr. POWER: Apparently those who made the contract agreed; the Minister of Railways at least acquiesced in it, and my friend knows very well that a contract can be changed by agreement between the parties,—not that I am going to discuss it in detail.

The CHAIRMAN: Would it not have been very much better to have done it in the other way?

Mr. POWER: I will not discuss a matter of law with my friend, because it is beyond my legal ability. However, I would hardly characterize it as underhand, and that without reflection on the language used by my friend, Dr. McGibbon. I think, however, what is of more importance is the point brought up by my friend, Mr. Chaplin.

Mr. Chaplin, as a business man of considerable experience, makes the statement here that in his opinion this system of management of the road through a Board of Directors which only meet once a month is not a proper system for a road like this. I think that is within our order of reference. It is within our functions to examine into that question. I think you, Mr. Chairman, will agree with me that we could perform a very useful service to the country and the railway if we enquire into the question whether this administrative set-up is that which we should have to manage the Canadian National Railways.

Hon. Mr. MANION: To interrupt you, is it not practically the same position which exists in the banks and the Canadian Pacific Railway?

Mr. POWER: I was coming to that, to say that in my opinion the Canadian Pacific Railway has the same set-up, a similar Board of Directors. But Mr. Chaplin, who is experienced in business, makes the statement that he does not believe that the Canadian National Railways can get anywhere so long as they continue with this system.

Probably we could more usefully enquire into that than into the mass of details, such as has been proposed; and there is another matter, and I am making the suggestion with all respect, into which we could enquire. The Minister has told us, and we accept his statement, that there has been nothing in the way of political interference with the road since he took charge. But yesterday, at least, there was an implication that the former Government or the former Board of Directors did interfere to a certain extent. I gathered from the Minister, or there was, as has been pointed out, a kind of an admission by the Minister himself that there had been a certain interference in that he had seen to it that the tie contracts,—

Hon. Mr. MANION: Did not all go to Liberals. This is a National road, and not a Liberal road?

Mr. POWER: Yes, but the tie contractors under the former Government were mostly Liberals. I suppose the Minister is capable of judging as to their political allegiance. We have not been able to find out their names, but no doubt very many of them are Conservative. I understood from the Minister that 26 out of 27 of those who had contracts before had lost out.

Hon. Mr. MANION: I think I was a little too generous yesterday in my remark, because I made it in somewhat heated terms after listening to Mr. Vaughan hedging in a reply. Mr. Vaughan knew as well yesterday as he does to-day that recommendations went in from the late Government as well as from this Government.

I tried to keep away from the tie question, because there is a certain little criticism on both of us. It was the one little thing which was political, yet which did not cost the Canadian National Railways one penny under either govern-

ment. I make the correction to-day that there are very many of the contractors under the late Government who have contracts now. Mr. Paradis was a contractor with the late Government. He is a very severe and stringent Liberal, and he got most of the contracts under the late Government. There is at least one member of my friend's party who has had a contract, and he has a contract this year; and he got very great contracts under the late Government.

There are perhaps one-third, at any rate, of the contractors who got contracts in the past who have got them to-day. There is no cast-iron rule. But I say frankly I do not think nine out of ten contracts should be given to one particular political group. At any rate, many of the men who have got contracts to-day are of the Liberal party.

Mr. POWER: The position I take, and as I always understood when the party to which I gave a certain amount of allegiance was in power, was that it was impossible to bring political pressure on the Canadian National Railways. That was my understanding, and I still am of that understanding. I understand that the Minister makes the statement that the same situation exists?

Hon. Mr. MANION: That is correct.

Mr. POWER: There is a feeling throughout the country that political interference has bedevilled the Canadian National Railways.

Hon. Mr. MANION: I can answer for our party that there has been none. I cannot answer for my friend's party.

Mr. POWER: Why shouldn't we enquire into that? My friend, Mr. Chaplin, has suggested that we bring Mr. Dunning here. I have not seen Mr. Dunning for six months, but I think he would be glad to come. Why shouldn't we question him on that? I think we should question Sir Henry Thornton on that. I do not think Mr. Vaughan will hedge if we question him on it. First, as to whether the present administrative set-up is of any use to the Canadian National Railways.

We have here members of the executive committee of the railway. I see Mr. Moraud, of Quebec, and he can tell us whether he considers this system a useful one. I also see Mr. Boys. I believe we all have confidence in him,—I know I have,—and we can ask him whether he considers this is a proper way to manage the road. I think then we would be doing something for the country and the company.

I would personally be very glad if we could go into the whole question of political interference under the former and the present Government.

Yesterday the Honourable the Minister stated to the committee that just prior to the election there was an abnormal expenditure of \$40,000,000, made by this road. I would not know whether it was made in their own interests or under pressure.

Hon. Mr. MANION: Mr. Vaughan was asked by me to bring in a statement as to expenditures for certain things. We will deal with them then.

Mr. POWER: That is only one instance. I would like to go into the whole question. If we made a thorough inquiry into that, we would be doing something for which parliament might be thankful.

The CHAIRMAN: Apropos to the suggestion that the present set-up is not a proper set-up, I would say that that question is under review by the Royal Commission, and I think they can do it much more efficiently and effectively than we can do it. They are experts, while we are laymen. I suggest to the committee that we ought not to be working along contrary lines to that on which they are working. We ought at least to wait until they have made their report. That is the question of administration, which Mr. Chaplin has raised and which my friend, Mr. Power, has referred to as the administrative set-up. That is a matter of policy.

I quite agree that if nobody else were attempting to deal with that matter it would be quite within the function of this committee, and it still is; at the same time it would be wasted effort, and we are not in as good a position to deal with it as the Commission, a number of whom are members of the executive, some of them of big railway executives, and they may have better ideas than we could possibly have on this committee. I would throw out the idea that we do not go into that at this time. If they do not pursue it, we can act next year.

I would say this, that I think it would be at present very largely wasted effort on our part. Sir Henry Thornton suggested that this committee recommend a committee to the government and parliament accepted the recommendation, and the Governor in Council has set up the Royal Commission. While it is in that sense before the court, I submit it would not be the wisest course to pursue for this committee to go into it while they are functioning.

While I am on my feet, may I make some observations with respect to Sir Henry Thornton's statement. I think it is well known that I have entertained the view that under the reference made to this committee the questions that have been raised here by Dr. McGibbon and Mr. Beaubien are quite within the purview of this committee, if they relate to the particular years under consideration; and I have no apology to offer for having entertained that view. I think it is a sound view.

I further think that a great deal of good has already come out of the discussions which have taken place, if, as Dr. McGibbon assures us, on a survey which he has made—a brief survey though it may be—in connection with this matter of expense accounts, there has been a saving of \$300,000 last year, and an estimated saving of three-quarters of a million dollars this year, then I think the taxpayers of this country will be grateful that this matter has been ventilated in this committee. And while I am just making that general observation, I would like to make a further observation. I do not think it is the considered opinion of any member of this committee, and by that I include the whole committee 100 per cent, that the officials of the Canadian National Railways are thieves or grafters, speaking generally. I believe that they are, taking them by and large, from observations which I have been able to make while travelling over the country, meeting them and observing them, just as honourable a group of men as any other group of men similarly charged with responsibility; but in every group of men, in any combination, in any industrial concern, you will always find the odd man who will not do the right thing, and he brings discredit on the others.

If, having ventilated this thing, we can correct some irregularity, we shall have performed this service, and at the same time we have performed a service for the executive heads of this railway who are doing well and are trying to do the right thing by the railway, and there will be no reflection on the individual who has done the right thing; rather will there be praise for the executive officials of the National Railway, and I am not going to limit it to the higher officials. I want that to go out through the press of this country that the members of this committee feel that the men lower down on the list are loyal, efficient, honourable men as a class, and that there never was and is not now any intention to reflect on the whole group; and I am sure Dr. McGibbon will stand up in his place to-day and corroborate the views which I am expressing on this point. They must not feel that because the operations of the railway are being investigated here before this committee that they or any of them are under a cloud.

Mr. MCGIBBON: Quite right.

The CHAIRMAN: I would like to have that made perfectly clear, and I would like that to go from one end of Canada to the other.

I have given as much time to the deliberations of this Committee as any other individual, and I make this statement in justice to the men, and also I make it in justice to the members of this committee.

Sir EUGÈNE Fiset: Mr. Chairman, might I be allowed to make a few remarks, not only on the remarks made by Sir Henry Thornton, but also in regard to the statements made by Dr. McGibbon. We seem to be thinking of different things. It appears to be the opinion that when Sir Henry Thornton was engaged as President of the Canadian National he was engaged by the Minister of Railways. I am of the opinion that he was engaged on the recommendation of the Board of Directors, and then by order in council.

The CHAIRMAN: Was he not engaged by the Government, and was not the engagement announced in the House?

Sir EUGÈNE Fiset: Exactly, and it was on specific recommendation by the Board of Directors that he was engaged and his salary fixed. I am informed by one of the Board of Directors that that is how it came about.

The CHAIRMAN: He will tell you that was not the way he was engaged at all.

Sir EUGÈNE Fiset: That is the way I have understood in this committee.

The CHAIRMAN: Will Sir Henry tell us how that is?

Sir HENRY THORNTON: Mr. Chairman, with respect to the circumstances relating to my employment initially on this railway, the first intimation which I had with respect to the possibility of employment in Canada was through the then High Commissioner in London on behalf of the Government of Canada; and as a result of an exchange of cablegrams between the High Commissioner and the Government, I came to Canada to discuss the matter.

The only body with whom such a thing could be discussed at that time was the Government of Canada, and I made my arrangements with the Government of Canada. My recollection is that that took place in November, 1922, or possibly October.

Sir EUGÈNE Fiset: I am afraid we are at cross purposes. What I meant was that the re-engagement of Sir Henry was made on the recommendation of the Board of Directors.

The CHAIRMAN: There are two contracts, one with the Government of Canada and the other with the Canadian National Railways. Perhaps you are both right.

I am having copies of both contracts made and they are going into the record so that he who runs may read. (*Printed as Appendix to this day's evidence*).

Sir EUGÈNE Fiset: I mean that the re-engagement of Sir Henry was made by the Board of Directors.

Hon. Mr. MANION: It was on the recommendation of the Board of Directors after the Government had employed him first. The Board of Directors had recommended him after the Government had engaged Sir Henry.

Sir EUGÈNE Fiset: The re-engagement was made on the recommendation of the Board of Directors. The salary was \$75,000, plus \$15,000 for ordinary expenses; and the same machinery, the same Board of Directors recommended the other subsidiary salary which Sir Henry Thornton received. Therefore the same machinery was used. Therefore how can we possibly blame Sir Henry in any shape or form for having accepted those salaries?

I do not think it was fair to say that this was done in an underhand manner. It was done openly, in the same manner as his re-engagement was made. As far as we are concerned, I think this has been explained satisfactorily to the committee.

Then, sir, there is the second Board. My friend, Mr. Chaplin, said that the Board of Directors as employed at present is not exactly what should be done, and I think I agree with Mr. Chaplin. I think the Board of Directors should be paid a sufficient salary to be acting daily and to be completely in control of the road; and I go further. I am one of those who hold the present opinion that the Chairman of the Board of Directors should not be the same as the President of the Company. I have expressed that opinion in the House and have no hesitation of expressing it here.

I would like to ask the chairman one question. It is perhaps too big a work for us to go into the details of this present administration, in view of the fact that the Royal Commission is sitting?

The CHAIRMAN: I did not say that. I said that the question of the administrative set-up—it is a question of policy which is now being considered by the Royal Commission. That is quite different.

Sir EUGÈNE Fiset: I accept that, Mr. Chairman, but will you inform us whether the report of the Royal Commission is going to be submitted to this committee?

The CHAIRMAN: I would think that the report of the Royal Commission would first be submitted to the government and then to the Parliament of Canada.

Sir EUGÈNE Fiset: Would it be then submitted to this committee?

The CHAIRMAN: I cannot say as to that.

I do not want to shut off any other member of the committee from any discussion on what has transpired here this morning. I think it has a good effect. But if there is no one who desires to discuss the matter further, I suggest that we proceed with the routine business before the committee.

My idea is that we should print Sir Henry Thornton's statement, so that it may be read and digested by the Committee and the public, with the additions and addenda to his letter or statement, and in addition to that the contracts. That will clear the air, so far as that is concerned, and it will be, I think, a fairly safe statement of what the position ought to be.

There is just this to be said about it, that consideration should not be lost sight of the action of the present Board of Directors with Sir Henry Thornton and the modifications which have been made; and on the question of emoluments generally to higher officials, I desire to say this. We had the report of a special committee, of which Mr. Boys was chairman, Mr. Anderson, Mr. Lucien Moraud, Mr. Labelle and one or two others and Mr. Smart, the Deputy Minister. They have been dealing with that whole question of emoluments.

The Board of Directors are continuing the whole investigation, and, as far as I am concerned—and I hope I speak for the committee as a whole, or at least a majority of the committee,—I am content to see that responsibility rest right there, because I do not think that we as members of this Committee are in a position to deal with the question. I would like to make this observation, though, and I would like to say it very sincerely to Sir Henry Thornton and the members of his family group who are now around, that if there are to be cuts of 40 per cent in the salaries of lower officials, that cut cannot be limited to lower officials. Public opinion will not sustain that.

Mr. POWER: I unfortunately was not able to be here when Mr. Boys was on the stand. Has this executive committee been enquiring into details of the expenditures generally, for instance, of the travelling expenses of the officials of the road and so on?

The CHAIRMAN: Mr. Boys is here, and I would ask him to answer that question.

Mr. POWER: Mr. Boys, would you come right up here?

May I ask if the sub-committee, of which I understand you are the chairman, has been enquiring into expenditures of the officers and officials of the road in connection with travelling expenses?

Mr. Boys: Not specially. In a general way only, just as I stated when I first appeared before the Committee. I gave my view but stated that we had not gone into that thoroughly.

There is now a sub-committee of the Directors dealing with the question of salaries, in an individual way; but as to the information being received and the necessity for the existence,—

Hon. Mr. EULER: Is there not now a small committee which passes upon the expense accounts before they are paid?

Mr. Boys: Certainly. I do not want to repeat myself, Mr. Chairman and gentlemen, but if the members of the Committee will be kind enough to refer to the report which every member of the sub-committee signed, you will see that that feature is dealt with in it. The process has been adopted, which has not been in vogue very long, bearing in mind that we only started our duties in this connection last summer; but the method which we have set up in that connection requires every officer of this company, in the first instance, to pay his expense account and to render a detailed statement of his expense account, and reimbursement does not take place until that account has been audited.

Mr. CHAPLIN: That was the recommendation, practically, which this Committee made last year.

Mr. Boys: Of course I was not here and do not know what was done; but that is what is being done now. In addition to that we have given the vice-president a right of appeal; his contention to us being that he had no right to sit in judgment upon officials of the company of equal jurisdiction to himself.

Mr. POWER: An appeal to whom?

Mr. Boys: To the committee, composed as a matter of fact of the President, Mr. Ruel and Mr. Smart. I want to say to this Committee,—I do not want to repeat myself again,—I did not come to-day for the purpose of giving evidence at all. I am here attending an executive meeting, which we held yesterday and another one to-day, and naturally being interested in this discussion, I am here to-day.

If there is any question which any member wishes to ask, I would say Sir Henry Thornton has referred to the co-operation between the Board and himself. I endorse everything he has said. We have not agreed upon everything that has been presented to us; in some instances we have had our own way; in other cases we have been convinced that our course was wrong and have taken the course suggested by the management.

I want also to make one reference to what the Minister has said. Perhaps it comes appropriately from me. I have been in the House for many years and know every member of the Government very well. One would imagine that if there was any desire on the part of any member of the Government to mention any subject, it would be mentioned to me; but never, from beginning to end, has there been the slightest interference or direction on the part of anyone, Minister or anyone else. We have been left alone; and if things have not been done properly, we will take the responsibility ourselves, and have no desire to try to shift it upon anyone else.

I can assure you our desires are for one purpose, if possible, in these times of distress, to do the best we can for the Canadian National Railways.

Sometimes I see suggestions in the press that the present Board are not favourable to public ownership. I would like to take the opportunity of speak-

ing for every member of the Board as well as for myself, that 100 per cent we are in favour of public ownership. In my election in 1925 and 1926, that was one of my planks.

The work which we have been doing on this Board has not been in regard to the past, but what can we do to try and make this enterprise a success in the future. That is the task to which we are setting ourselves.

I want to thank the members of this committee for the proofs of confidence in myself and other members of the executive committee, and trust that the confidence may be ever deserved.

Mr. POWER: Are you making efforts to bring about economies in the road?

Mr. BOYS: Yes, if you take the reports of the road last year and this, the economies of over \$20,000,000 a year will be shown. If you take up the papers of yesterday, you will find General Motors of Canada in the last quarter have \$9,000,000; whereas in the corresponding quarter of last year they had \$28,000,000 revenue.

You will realize the difficulty that this railway and every other enterprise is confronted with at the present time. You have falling revenues, and to some extent you are bound to have the expenses which have been prevailing in the past; and it takes time to bring those two items together. I am one of those who have faith in the Canadian National Railways, and I believe that with better times and better revenues and a strict process of economy, the time will come when the Canadian National Railways will be a great asset to our country.

Mr. POWER: You said a moment ago that you received all co-operation possible from Sir Henry Thornton. I would like you to say whether or not you have received the same co-operation from all the other officials of the railroad in bringing about economies.

Mr. BOYS: Absolutely. Every officer has been willing to cooperate with our committee, and I have no doubt will do so in the future.

Mr. POWER: You have had no difficulties in bringing about your investigation?

Mr. BOYS: None whatever. Furthermore, if this committee wants any enquiries made they may ask us to do it and we will do it.

The CHAIRMAN: Mr. Chaplin is an old member of this committee and a man whose opinions, as far as I am concerned, carry the very greatest weight, and I think they would with you. With that preface, may I ask you this question. Do you consider the suggestion which he has made, or have you given consideration to the suggestion which he has made, that there should be a permanent highly paid Board of Directors instead of the present Board? Perhaps it is not fair to ask you that question.

Mr. BOYS: I don't mind the question, Mr. Chairman. If anybody suggests that I am in my present position because it is remunerative, he is mistaken. After eighteen years of public life, living in a small country town, I must confess that if I have to sit there for the rest of my days, I do not know what will happen. With me this is a pleasure but not a diversion. I am not in it for the money which is in it.

If you are going to depart from the system which obtains, as the Minister has said, in many companies, it is true perhaps you would get better results from a Board that is paid for whole time service; but if you are going to do that, you will change your whole system, because the banks, the Canadian Pacific Railway and everybody else would have the present system. What would you expect the Board to do? Would you expect them to take every one of the little expense accounts and deal with it. That cannot be done.

The CHAIRMAN: Would such a change have the effect of becoming an administration by the Board instead of by the executive officers? That is my understanding of Mr. Chaplin's proposal.

Mr. Boys: I think, Mr. Chairman, if you do that, you reach this situation that the Board then becomes part of your management; and you have your management now.

I understand our duties are to consider matters of policy, and when any question arises to discuss it and deal with it,—not to deal with all the details, because that could not be done. We do not really get a chance to start any work in connection with this. I am not saying anything against anybody, but do not expect too much of us. When we came to the end of the parliamentary committee is when we got down to our work. That reached us in the summer, and then the holidays came on and we did not get down to our work until September. As far as I am concerned, I cannot begin to attend very meeting of the committee. It is true you get \$40, but I have to leave home one day and attend a meeting the next day, and then go back the next day. I have tried to attend two or three meetings every month. I cannot do any better.

I believe the Board is giving good service. If you have your Board doing more, you increase the expense of management at the country's expense.

Mr. BEAUBIEN: In regard to Mr. Chaplin's suggestion as to the Board of Directors becoming a permanent board of management, would not the Board necessarily have to be constituted of railway experts, instead of business men such as they have in the Board to-day, and would it not be a hard thing to find a Board of Directors who are capable of understanding all the technical parts of the railway.

Mr. Boys: Mr. Beaubien, my view is that it is well for the Board, as it is in the House of Commons, to have men experienced in many parts of life. You want men familiar with business, and you certainly want men familiar with railway operations, and I certainly think you want lawyers there too.

Hon. Mr. EULER: I would like to ask a question, which I hope will not be embarrassing to Mr. Boys, for whom I have the greatest respect. He has expressed an opinion on the matter, spoken of a while ago, not in regard to matters of policy and big things but with regard to investigation into smaller things like expense accounts and so on. Does he or does he not think that that might quite properly be left to a committee of the Board of Directors, rather than to members of this committee itself?

Mr. Boys: I have no hesitation whatever in answering that. I think the machinery which you have set up now should take care of it; but if, perchance, we hear of anything which is not satisfactory, as a Board we feel it our duty to investigate that particular item; but we could not do it regularly. We come down with an agenda which requires immediate attention and takes up four or five hours; but, unless we stay over for another day, we have no time for more.

Hon. Mr. EULER: With regard to the particular investigation before this committee or the sub-committee, would you have thought it a peculiar thing if this committee had, with things in that investigation, conveyed it to your Board?

Mr. Boys: Frankly, when we learned what had come before the committee last year, I would have come before it this year in connection with the expense accounts. I asked for a return myself for the five months' period since which the new method which I have mentioned has been in effect. I have got that, and if the committee had asked for it they would have had it. I thought it should not have been broadcast throughout Canada but the committee did not want it.

Hon. Mr. EULER: I am not attributing wrong motives, but as a matter of procedure, would it have been thought proper by your Board? You are the Board, after all, and if you had any feeling on these things, as a matter of propriety to the Board.

Mr. Boys: I do not care who the man or citizen is, if he knows any question which he thinks should be investigated, I am willing to look into it.

Mr. MACMILLAN: I might say, as far as the sub-committee is concerned, anything they have done has not been broadcast throughout the country; and anything that they have found out or think about it is still in the minds of the members of the committee, and will remain there.

Mr. POWER: With respect to the salaries of the officials of the road, I am given to understand that at one of the first meetings of the committee you stated you had made an investigation into comparative salaries of other railroads. Would you be kind enough to tell us where you got your figures—from what other railroads you got your figures?

Mr. BOYS: So far as railroads outside of Canada are concerned, the information came from returns made to the Interstate Commerce Commission.

Mr. POWER: You had them compared with the Canadian National?

Mr. BOYS: The report states that—I have not studied it sufficiently to be sure of my grounds. If you take a total number of employees with total salaries and make your average, you cannot be certain that your result gives you a true picture.

Mr. POWER: How are the individual salaries in comparison with those of other railways?

Mr. BOYS: The report says that we could not go into that thoroughly, but they appeared to be almost identical.

Mr. POWER: Including the emoluments of the officials?

Mr. BOYS: Including the officials with \$5,000 or more.

Mr. MCGIBBON: Did you get the salaries individually, or did you take the total and divide it by the number of officials?

Mr. BOYS: We got the total number of officials and the total salaries paid to those receiving \$5,000 or over each. I have stated what difficulties there are in that. The information was received by me in confidence and I could not give names.

Mr. POWER: Did you deal with the salaries of the individual higher officials?

Mr. BOYS: We did.

Mr. POWER: And it is on that you say the salaries are much the same as those on other roads.

Mr. BOYS: There are other features. There is the question of the magnitude of the undertaking, and all that; and it perhaps will be appropriate for me to say this,—I am not holding any special brief for the Canadian National Railways when I say this,—I do not believe that for some years to come the Canadian National Railways can be operated at as low a rate as some other railways, for the reason that the Canadian National Railways are composed of four different railways, and three of which were built as competitive systems. They cannot be made to act as one harmonious whole. They have had to be taken care of as you find them. You have two shops of the Canadian National in Winnipeg, whereas everybody knows they only want one; the other should be near the Rocky Mountains. Every locomotive requiring repairs has to be hauled from the Pacific to Winnipeg.

There are four lines of railways between Montreal and Quebec, where the Canadian Pacific Railway has only one. We have two lines of railway to the Pacific coast, where they have one. These lines cannot be shut up. Industries and people have settled along them, and they must be kept going; and anybody who reflects for a moment even in a cursory manner must see that for those reasons it must take some years before you can so arrange matters that the Canadian National can be operated at as low a cost as the Canadian Pacific; but, on the other hand, if you examine the costs of the Canadian National Railways and the Canadian Pacific, they compare very favourably.

Mr. POWER: Would it be fair to say that the comparative mileages and so on would lead to a suspicion that there is over-mileage on the Canadian National Railways?

Mr. BOYS: Unquestionably. When you took them you could not abolish the unnecessary ones; but when you consider all the particulars, I think a great deal has been accomplished and, as far as I know, with reasonable satisfaction to the men employed.

Mr. MCGIBBON: To take the other side of it, is it not fair, when you mention duplications, to say that there are about two or three hundred million dollars of government money which is dead and always will be dead?

Mr. BOYS: Certainly. I do not suggest that that should not be considered at all.

Mr. MACMILLAN: Do you consider the question of the shipping, on the Atlantic and the Pacific, the Montreal house, the hotels, such as at Jamaica, that that money was spent in the interests of the railway?

Mr. BOYS: Of course you are getting me more or less afield, and I would speak now not as much as a Director of the Railway, in answering that question. From my little experience and with very little knowledge of the matter, perhaps all the railroads in Canada would have been better off if they had not bothered at all about outside—

Mr. MACMILLAN: I am addressing myself entirely as to our own property.

Mr. BOYS: I am not speaking as one with special knowledge, but I have some knowledge as to the results from the hotels, and there is no doubt that they are losing money.

Mr. MACMILLAN: I asked not only about hotels but about ships on the Atlantic and Pacific, about the Montreal house, and about the hotel in Jamaica. I asked you if you thought that was extravagant or was it in the best interests of the railway?

Mr. BOYS: I do not think I should confine my remarks to one railway. When you ask me if it was a wise expense to put up, say, the Royal York at Toronto or build the Empress of Britain,—I think I had better not deal with that phase of it, as it is beyond me.

Mr. MACMILLAN: I am not trying to paint a picture in connection with the Canadian Pacific Railway. They do not owe me anything and I do not owe them anything; and I have never travelled on a pass on the Canadian Pacific Railway, and I am no particular friend of the Canadian Pacific Railway. All that I am concerned with is to bring to the attention of the Directors of the Canadian National Railways that they should practice the strictest economy. Furthermore, I consider the expenditures to which I have referred were not in the interest of the railroad or of the people, and that they were extravagant.

The CHAIRMAN: I think it will be recognized by every one of us that we are trying to get out of the difficulties of the railway and of the officials of the railway, and that there must be the strictest economy. If they are not able to see the point of that, they must be dense. With respect to the hotels I am sure that they would not do it now, if they had to do it over again.

Mr. BEAUBIEN: If I had to do it over again, there is a lot of land I would not have bought.

Mr. POWER: Is there another explanation, that for reasons of policy, if not of policies, the Canadian National Railways must necessarily have two or three divisions or headquarters, one in the Maritime provinces—and I am saying that very respectfully and with all humility—one in Toronto, and two more in Western Canada, whereas the rival road can get along without so many, not having the Maritime Provinces' obsession?

The CHAIRMAN: I am not going to be drawn into that discussion.

Sir HENRY THORNTON: In connection with this hotel situation, some of the hotels which the Canadian National Railways have I found when I came here. I will say very frankly that I would be delighted if we did not own a single hotel anywhere. They give me probably as much trouble, if not more trouble, than all the rest of the railway put together. At the same time, we found this situation. We found our competitor building hotels, quite properly within their judgment, and we had more or less to meet that situation. For instance, the question of this Vancouver hotel—there had been a long controversy with the city of Vancouver with respect to a contract which had been entered into by the previous and subsidiary company under the direction of Mackenzie and Mann, and as a result of that contract, the Canadian Northern—to call it such—received certain lands and certain concessions in the city of Vancouver; and in that contract there was everything but the kitchen stove; I do not know of anything that had been left out of it which the railway company was not obliged to perform. And in an effort to soften that contract to the railway, we had been in negotiations with the city of Vancouver for some years.

One of the things which was provided for was the construction of a hotel in Vancouver. We had never built that hotel. But, to make a long story short, by agreeing to build the hotel, which is now under construction, we were able to secure an abrogation of that contract, the elimination of a good many responsibilities which the company would have been obliged to carry out and which would have run into a great deal of money. And, in the last analysis, by the construction of the hotel and the abandonment of these various things which were strictly obligations on the part of the company, the company escaped from the expenditure of a great deal of money.

Now, let me say to you, gentlemen, that I am not an hotel hound. I do not want hotels. I have got quite enough trouble on this railroad without having a lot of hotels to look after. But at the same time, some of them were here, and with respect to the Vancouver hotel we had to get out of that situation as cheaply as we could, and that is what we did.

Mr. McGIBBON: Sir Henry, might I ask you a question just there?

Sir HENRY THORNTON: If you please, Doctor.

Mr. McGIBBON: Going through some of the archives of the department I found a letter from the Minister of Railways, of April 19, 1920, to the authorities of Vancouver, dealing with this same thing; and he there sets out the line of policy, on condition that the Government did certain works in Vancouver, which was accepted by the Vancouver people. I will just read one paragraph here:

I desire to take this opportunity to impress upon you that one of the clauses to be deleted from the original agreement is the one which requires the Railway Company to contract and maintain an hotel. On this particular point, I desire to be most emphatic, and to officially inform you, as I have already done publicly while in Vancouver, that under no circumstances will the Government entertain any proposal to supply the capital required for such a purpose. I desire, therefore, to have it clearly understood that discussion on this particular clause will not be permitted when the amending of the agreement is under consideration. And I further desire to have it clearly understood that my recommendation to the government for a settlement of the Champion and White difficulty will be based upon the above understanding in which the City must acquiesce.

Sir HENRY THORNTON: Who was the Minister?

Mr. McGIBBON: Hon. Dr. Reid.

I am told that the City did acquiesce, and I should say that in the face of a letter like that which states the policy, that the railway was liberated from that obligation. And yet they have gone on and built the hotel.

Sir HENRY THORNTON: I am not aware of that letter. Anyway, I would like to call to your attention, if I may, in explanation, that in December—however that may be, I do not dispute that.

Hon. Mr. CHAPLIN: Before you explain it, let me interject, Sir Henry, that my understanding of the original agreement was that the Mackenzie and Mann people received from the city of Vancouver very valuable concessions for the entry of the railway through False Creek, and for that the agreement with the City was that a hotel should be built, but the cost of that hotel was to be three and a half million dollars; and what I would like to know, when you are making your explanation, is how it came about, in the face of an agreement with the city of Vancouver specifically stating the amount that was to be paid for a hotel, that you came to build a hotel at a cost of \$10,000,000.

Sir HENRY THORNTON: In answer to that, first, I would like to say this. However that may be, with respect to the matter which Dr. McGibbon has just read, in December, 1926, the city of Vancouver commenced a legal action against the Canadian National Railways for the completion of the 1913 agreement for the construction of the hotel, and the forfeiture of the \$1,500,000 bond which had been posted by Mackenzie and Mann. The position at this point may be briefly summarized as follows: In 1913, the Canadian Northern Railway agreed to build a hotel of 250 rooms. In 1920, in consideration of the railway relieving the city of a difficulty in connection with the Champion and White injunction, clause 16 requiring the construction of a hotel was to be deleted and other clauses deferred. In 1926, on April 15, the city relieved the railway of carrying out the works in clauses 12, 13, 14 and 17, that we will build a hotel in Vancouver or not less than 500 rooms at an estimated cost of not less than \$3,500,000.

On August 7, 1926, an Order in Council was passed permitting the Canadian National Railways to construct an hotel in Vancouver at an estimated cost of not less than \$3,500,000.

The CHAIRMAN: That is the one that was cancelled.

Sir HENRY THORNTON: My recollection of the situation is that in addition to the obligations which the railway assumed and the land and other valuable facilities which it received, there was also a very large expenditure for filling in False Creek, which ran into many hundreds of thousands of dollars. I do not happen to have the amount here, but it can be found.

At any rate the upshot of the whole thing was that in settlement of that suit, which was brought in December, 1926, we came to this arrangement with the city of Vancouver. I was advised by our legal department that the old agreement with the Canadian Northern Railway was an enforceable agreement. I am not prepared to say of my own opinion whether it was or was not; but I took the advice of the law officers of the company and they told me that that agreement was enforceable; and if enforced it would involve the company in several million dollars of expenditures.

The CHAIRMAN: There is just one little gap in your historical narrative. There was an Order in Council passed in, I think, August, 1926, and that Order in Council was cancelled after the election. We had better have the whole of the story, as it is fairly illuminating.

Sir HENRY THORNTON: Yes, I want to tell you the story. I think it was in 1926 that that election came about. At any rate, when the Conservative party at that time came into power, pending the result of the election, I discussed the

Vancouver situation with Sir Henry Drayton, who was at Ottawa more or less as Acting Prime Minister while the Prime Minister himself was engaged in election responsibilities; and I came to an agreement with him as to what should be done and how it should be done, and I am quite certain that all of the necessary authority to carry out that arrangement was made with Sir Henry Drayton and approved by the Government of that time.

The CHAIRMAN: It is all set out in the Order in Council of August, 1926?

Sir HENRY THORNTON: That is quite right. Then there came the election, and the Liberal party was restored to power, and by order in council, as I recall it, all orders in council and acts of the Conservative party were abrogated, —I am not using the exact legal terms, but that is what happened. Then we had to consider it and start all over again. That was, I think, exactly what happened, and I think it is a matter of record. I am not speaking for or against any political party.

The CHAIRMAN: I understand that. If the order in council of 1926 had been carried into effect according to the terms of it, you would have had a hotel costing \$3,500,000. That order in council was in August, 1926.

Hon. Mr. EULER: That was when the so-called shadow government was in power.

The CHAIRMAN: Yes.

Sir HENRY THORNTON: I do not want to get into any political controversy at all. All I can do is to cite the record.

The CHAIRMAN: And I am seeking to put the responsibility where it belongs.

It is now after 1 o'clock, and we have had a very good session. I do not think it is possible for the Committee to meet this afternoon. In the first place, the budget has not been passed, and for one I wish to be in the Chamber; then in addition, the Minister is not able to be here himself, and I do not like to proceed in his absence.

Hon. Mr. CHAPLIN: A certain number of questions have been asked. Are the answers ready?

The CHAIRMAN: I believe they are not ready.

Sir HENRY THORNTON: They are under preparation and will be ready as quickly as possible.

The Committee adjourned to meet Thursday, April 28, at 11 o'clock, a.m.

APPENDIX

1. Agreement, dated 23rd September, 1929, between The Canadian National Railway Company and Major General Sir Henry Worth Thornton, K.B.E.
2. Agreement, dated 25th October, 1929, between His Majesty the King and Major General Sir Henry Thornton, K.B.E.

THIS AGREEMENT made this 23rd day of September A. D. 1929,

BETWEEN

The Canadian National Railway Company, hereinafter called the "National Company," of the first part: and Major-General Sir Henry Worth Thornton, K.B.E., hereinafter called the "Managing Head," of the second part:

Whereas the Managing Head has by appointment and agreement assumed the direction as Managing Head, serving in the capacity as President and Chairman, for a period of three years from the fourth day of October, 1922, of the Grand Trunk Railway Company of Canada, now the Canadian National Railway Company, the Canadian Northern Railway Company and of the various constituent and subsidiary Companies comprising the system of these respective railway companies, the Canadian Government Merchant Marine Limited, operating various steamships owned by individual companies, and of the Canadian National Railways; all being managed and operated as a National system or enterprise under the collective or descriptive designation "Canadian National Railways" pursuant to the provisions of the "Canadian National Railways' Act," together with such other works, undertakings and enterprises controlled or owned by the Government of Canada as may from time to time pursuant to the provisions of the said Act be entrusted to the same management and operation;

And Whereas the period of service as above referred to expired on the 3rd day of October 1925, and the Managing Head was duly elected President and Chairman of the National Company for a further period of five years from the date of the expiration of services as above referred to, and thereupon has by appointment and agreement assumed the direction as Managing Head, serving in like capacity as aforesaid, of the several companies, railways, works, undertakings and enterprises, as aforesaid;

And Whereas the National Company by resolution of its Board of Directors dated the 23rd day of September 1929, (copy hereto attached marked "A") has duly elected the Managing Head President and Chairman of the National Company and authorized the entering into of an agreement on the part of the National Company with the Managing Head in terms and conditions as hereinafter set out and contained and the Managing Head has agreed with the National Company to accept such election on its part and to serve in the capacity aforesaid, subject to the said terms and conditions;

Now therefore this agreement witnesseth that the parties hereto have agreed as follows:—

1. *Engagement.*—The National Company hereby agrees to employ or cause to be employed the Managing Head to services President and Chairman of the National Company and of the various constituent and subsidiary companies comprising its system, and in such capacity to serve as directing Head of any and all railways, steamships and other works, undertakings and enterprises, controlled or owned by the Government of Canada, that are now or may at any time hereafter during the continuance of this agreement be entrusted by Order of the Governor in Council to the Management and operation of the National Company, and to serve in capacity as President and Chairman of any other railway company or companies, system or systems, owned or controlled by the Government of Canada, from time to time, concurrently with the services as above, of the National Company as the latter may from time to time direct, such railway company or companies, system or systems, so electing the Managing Head.

2. *Period of Engagement.*—The period of engagement hereby entered into shall extend for five years from the fourth day of October, 1928, and thereafter from year to year subject to termination as hereinafter provided.

3. *Remuneration.*—The remuneration of the Managing Head for the full and entire services to be performed from time to time, and for the full period of employment under this agreement, shall be a fixed annual salary (irrespective of the magnitude or extent of the work or duties to be performed from time to time and without any extra fees or remuneration of any description) of Seventy-five Thousand Dollars (\$75,000) per annum, payable in equal monthly instalments on or about the first day of each month but not in advance; it being understood and agreed that the monthly payments of the fixed annual salary of Seventy-five Thousand dollars (\$75,000) hereunder for the period beginning the fourth day of October, 1928, and ending the third day of October, 1929, having been made immediately before the delivery of this agreement, the receipt whereof is hereby acknowledged by the Managing Head.

4. *General Duties.*—The Managing Head shall diligently and faithfully perform to the best of his skill and ability all duties that may devolve upon him by virtue of this agreement, and shall use all reasonable means to preserve, promote and extend the interests entrusted to him.

5. *Expenses.*—The Managing Head shall, subject to the by-laws, rules and regulations applicable, be entitled to be paid all reasonable out-of-pocket expenses incurred in connection with the duties of his office or offices.

6. *Termination of Agreement.*—This agreement may be terminated at any time during the period thereof upon notice in writing from the National Company to the Managing Head for or on account of malfeasance of office on the part of the Managing Head without any right or claim whatever on the part of the Managing Head for any compensation by reason or on account of any such termination; and this agreement may be terminated effective on the third day of October in any year, after the third day of October, 1933, upon twelve months' notice in writing given in advance of the date of such termination from either party hereto to the other party hereto, without right or claim on the part of either such party against the other party for any compensation by reason or on account of such termination.

7. *Supersession of Agreement Dated September 2, 1925.*—The agreement dated the second day of September, 1925, made and entered into between the National Company and the Managing Head for the employment by the former

of the latter to serve for and during the period of five years from the fourth day of October, 1925, as President and Chairman of the National Company and of the various constituent and subsidiary companies comprised in its system; and in such capacity to serve as the Directing Head of all railways, steamships and other works, undertakings and enterprises controlled or owned by the Government of Canada is hereby cancelled and superseded as and from the fourth day of October, 1928, in as full force and effect between the parties thereto as if the said agreement in the first instance under the terms thereof terminated on the third day of October, 1928.

In witness whereof the parties hereto have executed this agreement.

Signed, Sealed and Delivered by the National Company in the presence of	}	CANADIAN NATIONAL RAILWAY COMPANY E. D. DECARY, R. P. ORMSBY,	Director, Secretary.
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Signed, Sealed and Delivered by the Managing Head in the presence of R. P. ORMSBY.	}	H. W. THORNTON.
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This agreement made at Ottawa, in the Province of Ontario, this twenty-fifth day of October, A.D., 1929:

BETWEEN:

His Majesty the King, on behalf of the Dominion of Canada, herein represented by the Honourable the Minister of Railways and Canals (acting by virtue of an Order of the Governor in Council, P.C. 2144, dated the 23rd day of October, A.D., 1929, hereinafter called "His Majesty", of the first part; and Major general Sir Henry Thornton, K.B.E., hereinafter called "the Managing Head", of the second part.

Whereas the Canadian National Railway Company pursuant to a Resolution, of the Board of Directors of the said Company, passed at a meeting of the said board of Directors held on the Twenty-third day of September, 1929, confirmed the election of the Managing Head as President and Chairman of the Canadian National Railway Company for and during the period of five years from the Fourth day of October, 1925, under a Resolution, of the Board of Directors of the said Company, passed at a meeting of the said Board of Directors held on the Second day of September, 1925, and elected the Managing Head President and Chairman of the Canadian National Railway Company for and during the period of five years from the Fourth day of October, 1928, and thereafter from year to year, subject to termination of his office as President and Chairman, afore-said, as may, by agreement between him and the said Company, be provided for, at a fixed annual salary of Seventy-five thousand dollars (\$75,000.00) for services in such capacity, including such other services as may from time to time under agreement be allotted to him;

And whereas the Canadian National Railway Company pursuant to the said Resolution, of its Board of Directors, passed at a meeting of the said Board of Directors held on the Twenty-third day of September, 1929, duly entered into an Agreement of Engagement, dated the Twenty-third day of September, 1929, an original of which agreement of Engagement is hereto attached marked "A", hereinafter referred to as the "Company's Agreement of Engagement";

And whereas His Majesty has by Order of the Governor in Council (P.C. 2144), dated the twenty-third day of October, 1929, duly approved, sanctioned and confirmed the Company's Agreement of Engagement and authorized the entering into on behalf of His Majesty with the Managing Head of a further Agreement of Engagement in terms and conditions hereinafter set out and contained and the Managing Head has agreed accordingly;

Now therefore this agreement witnesseth that the parties hereto have agreed as follows:—

1. *Engagement.*—His Majesty hereby agrees to employ or cause to be employed the Managing Head to serve and the Managing Head hereby agrees to serve, as the directing head of the Canadian National Railway Company, the Canadian Northern Railway Company and the various constituent and subsidiary companies comprising the systems of these respective companies, and of the Canadian Government Merchant Marine Limited operating various steamships owned by individual companies, together with the Canadian Government Railways and together with such other works, undertakings or enterprises as may from time to time be controlled or owned by His Majesty and may by Order in Council be placed under the same management, but excepting any works, undertakings or enterprises which may at any time be withdrawn by His Majesty by Order in Council from any such management.

2. *Period of Engagement.*—The period of engagement hereby entered into shall extend for five years from the Fourth day of October, 1928, and thereafter from year to year, subject to termination as hereinafter provided.

3. *Remuneration.*—The remuneration of the Managing Head for the full and entire services to be performed, from time to time, and for the full period of employment under this agreement, shall be a fixed annual salary (irrespective of the magnitude or extent of the work or duties to be performed from time to time and without any extra fees or remuneration of any description) of seventy-five thousand dollars (\$75,000) per annum, payable monthly, but not in advance, less the annual remuneration payable monthly by the Canadian National Railway Company to and receivable by the Managing Head under the Company's Agreement of Engagement during the continuance of the said Agreement of Engagement; it being hereby understood and agreed that the monthly payments, of the fixed annual salary of seventy-five thousand dollars (\$75,000), hereunder, for the period beginning the fourth day of October, 1928, and ending the third day of October, 1929, have been made immediately before the delivery of this agreement, the receipt whereof is hereby acknowledged by the Managing Head, and it being hereby further understood and hereby agreed that the monthly payments of the fixed annual salary of seventy-five thousand dollars (\$75,000), hereunder, from and after the fourth day of October, 1929, shall hereafter be deferred, each, for the period of one month, the date of the monthly payment for the month ending the third day of November, 1929, being payable on or about the fourth day of the following month, the date of the final monthly payment being subject to adjustment at the end of the period of employment hereunder.

4. *General Duties.*—The Managing Head shall diligently and faithfully perform to the best of his skill and ability all the duties that may devolve upon him by virtue of this agreement and shall use all reasonable means to preserve, promote and extend the interests entrusted to him.

5. *Expenses.*—The Managing Head shall, subject to statutory or other lawful authority, applicable, be entitled to be paid all reasonable out-of-pocket expenses incurred in connection with the duties of his office under this agree-

ment, less out-of-pocket expenses payable by the Canadian National Railway Company to and receivable by the Managing Head under the Company's Agreement of Engagement in connection with duties of office or offices thereunder performed concurrently with duties of office hereunder; it being understood and agreed that accounts of the Managing Head for out-of-pocket expenses incurred and payable in connection with duties of office or offices hereunder shall be rendered from time to time at such periods for vouchering and payment as His Majesty's Officers in control of such matters may require.

6. *Termination of Agreement.*—This agreement may be terminated at any time during the period thereof upon notice in writing from His Majesty to the Managing Head for or on account of malfeasance of office on the part of the Managing Head without any right or claim whatever on the part of the Managing Head for any compensation by reason or on account of any such termination; and this agreement may be terminated effective on the third day of October in any year after the third day of October, 1933, upon twelve months' notice in writing given in advance of the date of such termination from either party hereto to the other party hereto without any right or claim on the part of either such party against the other party for any compensation by reason or on account of such termination.

In witness whereof the parties hereto have executed this agreement the date and year first above written.

Signed, Sealed and Delivered by His
Majesty in the presence of

GEO. W. YATES.

CHAS. A. DUNNING,
Minister of Railways and Canals.

J. W. PUGSLEY,
*Secretary of the Department of
Railways and Canals.*

H. W. THORNTON.

Signed, Sealed and Delivered by the
Managing Head in the presence of

E. B. HAWKEN.

HOUSE OF COMMONS, ROOM 231,

APRIL 28, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Mr. Hanson presiding.

The CHAIRMAN: The first order of business, I suggest, this morning is to take up the Estimates, 1932-33, of the Canadian National Steamships and Maritime Freight Rates Act.

LOAN TO THE CANADIAN GOVERNMENT MERCHANT MARINE, LTD.

Loan to the Canadian National Steamships (Canadian Government Merchant Marine, Ltd.) repayable on demand with interest at a rate to be fixed by the Governor in Council upon such terms and conditions as the Governor in Council may determine, and to be applied in payment of:—

Deficits in operation of the Company and of the vessels under the Company's control during the year ending December 31, 1932, \$440,000.

LOAN TO CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS, LTD.

Loan to the Canadian National (West Indies) Steamships, Limited, repayable on demand with interest at a rate to be fixed by the Governor in Council, upon such terms and conditions as the Governor in Council may determine, and to be applied in payment of:—

Deficits in operation of the Company and of the vessels under the Company's control, during the year ending December 31, 1932, and Interest Requirements, \$820,600.

I am just wondering why this estimate is headed "Canadian National Steamships and Maritime Freight Rates Act" because there is nothing on it about Maritime freight rates.

Mr. SMART: That is on the back of it.

The CHAIRMAN: Excuse me.

Is it the pleasure of the committee to take up this estimate? The total aggregates \$10,128,000. I would assume that the discussion on the steamships part, at all events, would take some considerable time. I would like to say, however, that the steamship people are not here, and we could go on and pass the estimate, if it is the wish of the committee, with the distinct understanding that any question raised by this estimate is left wide open for future discussion. I make that suggestion with the idea of expediting the technical passage of the estimates.

Mr. POWER: That covers the whole of it—both sides of the sheet?

The CHAIRMAN: Yes.

Mr. DUFF: As far as the steamships are concerned, we can take that up when we take up the report?

The CHAIRMAN: Yes.

Mr. POWER: Or we can discuss it when it passes the House?

The CHAIRMAN: Yes. Have you read this?

Mr. POWER: No.

The CHAIRMAN: I am going to read it before it is passed.

Mr. HEAPS: A couple of weeks ago I discussed the question of the number of men employed over a period of years and the amount of wages paid to the men in that way.

Sir HENRY THORNTON: We have that information here and can read it at once, Mr. Heaps.

The CHAIRMAN: Shall the first item pass?

Carried.

The CHAIRMAN: Shall item 315, "Loan to Canadian National (West Indies) Steamships Limited" carry?

Carried.

The Chairman:

MARITIME FREIGHT RATES ACT

Amount required to provide for payment from time to time during the fiscal year 1932-33 of the difference, estimated by the Board of Railway Commissioners and certified by the said Board to the Minister of Railways and Canals, as and when required by him, occurring on account of the application of the Maritime Freight Rates Act, between the tariff tolls and the normal tolls (referred to in Section 9 of the said Act) on all traffic moved during 1932, under the tariffs approved, by the following companies:

CANADA AND GULF TERMINAL RAILWAY

What line is that?

Mr. FAIRWEATHER: That is not the Canadian National Railway.

The CHAIRMAN: I knew it was one of those coal and gas railways (Reading):

CANADIAN PACIFIC RAILWAY, INCLUDING: FREDERICTON AND GRAND LAKE COAL AND RAILWAY COMPANY

New Brunswick Coal and Railway Company. Cumberland Railway and Coal Co. Dominion Atlantic Railway. Maritime Coal, Railway and Power Co. Sydney and Louisburg Railway. Temiscouata Railway, \$900,000.

This is the estimate made, the same as last year. I would like to ask if all this money is spent every year? Do they earn it every year, and will they earn it this year?

Sir HENRY THORNTON: That is the estimate which is made up of a good many companies.

Mr. SMART: That is spread over a good many companies. The amount paid last year was less than the estimate.

The CHAIRMAN: I understand that shows all these independent railways, outside of the National System, operating in the zone covered by the Maritime Freight Rates Act. They are audited statements?

Mr. SMART: The auditors of the Board of Railway Commissioners certify as to the amount actually taken in and the amount estimated. That is, for each one of these railroads, and on that payment is made under the Act.

Mr. POWER: Can anyone here tell us what was the amount paid to the Canadian Pacific Railway under the Maritime Freight Rates Act?

The CHAIRMAN: I was going to ask that. It could not possibly be a round figure.

Mr. POWER: Nine hundred thousand dollars seems to be pretty low, if it covers all the operations of the Canadian Pacific Railway in the Maritimes. Nine hundred thousand dollars is the amount estimated as the amount to pay all railroads. I may be wrong, but I am under the impression that the Canadian Pacific operate through New Brunswick and Nova Scotia. Would it not be more than that?

The CHAIRMAN: This does not cover C.P.R. lines in Nova Scotia.

Mr. POWER: That would cover the C.P.R. lines from Montreal, or what would correspond to Capreol to Saint John, I suppose.

The CHAIRMAN: Yes. Just at what point, Mr. Smart, on the Canadian Pacific Railway line from Saint John to Montreal does this Maritime freight rate terminate?

Mr. SMART: At the border, Vanceboro.

Mr. POWER: The border point?

Mr. SMART: Vanceboro, Maine.

The CHAIRMAN: They do not get paid for any haulage in Maine.

Mr. POWER: Do they get paid for any haulage west of Vanceboro?

Mr. SMART: Just in the border province.

The CHAIRMAN: They do not get anything at all in the foreign territory or in the Quebec part to Megantic?

Mr. SMART: No.

The CHAIRMAN: It is not their own rail, you know. The C.P.R. do not own the line between Vanceboro and Matawanock.

Mr. SMART: May I read this, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. SMART: This is what it is based on:

The following are preferred movements as referred to in section three and other sections of this Act:

- (a) Local traffic, all rail—Between points on the Eastern lines; for example, Sydney to Newcastle;
- (b) Traffic moving outward, westbound, all rail—From points on the Eastern lines westbound to points in Canada beyond the limit of the Eastern lines at Diamond Junction or Levis; for example, Moncton to Montreal—the twenty per cent reduction shall be based upon the Eastern lines proportion of the through rate or in this example upon the rate applicable from Moncton west as far as Diamond Junction or Levis.

The CHAIRMAN: That is not on the C.P.R. line?

Mr. POWER: That is on the Canadian National.

The CHAIRMAN: What does it say, what is the measure of the mileage on the C.P.R.? Have you got another copy of the statute?

Mr. SMART: No.

The CHAIRMAN: It seems to me we ought to settle this point.

Mr. POWER: It might be more easily settled if we had the figures of the amounts paid to each of the railways during the past year.

Mr. SMART: I have not got that here. It is in the Department.

Canadian Pacific Railway including Fredericton, Grand Lake Coal and Railway Company and New Brunswick Coal and Railway Company, \$233,730.52.

Mr. POWER: That includes the two roads operated by the C.P.R.?

The CHAIRMAN: Yes. One is a subsidiary and the other is leased from the government of New Brunswick.

Mr. SMART: The Cumberland Railway and Coal Company, \$26,499.97; Dominion Atlantic Railway, \$188,121.05; Maritime Coal, Railway and Power Company, \$19,497. Quebec Oriental Railway did not draw any last year. Sydney and Louisburg Railway, \$177,125.42; Temiscouata Railway, \$21,096.37. Making a total of \$669,673.20.

Mr. POWER: Would you read what is the amount for the Canada and Gulf Terminal, the first one mentioned in the list?

Mr. SMART: \$3,602.87.

Mr. POWER: You made some reference to the Quebec Oriental Railway not receiving anything this year.

Mr. SMART: That will now be included in the Canadian National, as also the Atlantic, Quebec and Western. Those are the two Gaspé lines?

Mr. POWER: Yes.

The CHAIRMAN: I must say I cannot find the jurisdiction in the statute, for the moment, for payment of this; but no doubt it is all right. Perhaps Mr. Fairweather of the Railway staff will give us the section under which this money is paid.

Are there any other questions which ought to be asked in this connection?

Mr. POWER: I am so surprised at the other railroads receiving so little under the Maritime Freight Rates Act, that I am wondering whether there are not some other items to cover it.

The CHAIRMAN: I do not know. I would like to point out that the mileage of the Canadian Pacific Railway in this select area, as it is called, is very small. It is about 90 miles.

Mr. POWER: From Montreal to Saint John, then from Digby to Halifax. What was the D.A.R.?

Mr. SMART: \$19,497.

Mr. POWER: How do this year's figures compare with last year's figures?

Mr. SMART (Reading):

	Calendar Year 1930	Calendar Year 1931
Atlantic, Quebec and Western Railway . . . . .	.....	.....
Canada and Gulf Terminal Railway	\$ 6,965 48	\$ 3,602 87
C.P.R., including Fredericton, Grand Lake Coal and Railway Co. and New Brunswick Coal and Railway Company	285,888 82	233,730 52
Cumberland Railway and Coal Company	32,542 95	26,499 97
Dominion Atlantic Railway	241,029 85	188,121 05
Maritime Coal Railway and Power Company . .	20,370 51	19,497 00
Quebec Oriental Railway, Sydney and Louisburg Railway	242,328 44	177,125 42
Temiscouata Railway	32,068 80	21,096 37
Total, Railways other than Canadian National . .	\$ 861,194 85	\$ 669,673 20

The CHAIRMAN: Gentlemen, the authority for the payment to these lines is contained in section 9 of the Maritime Freight Rates Act, subsection 3.

I would like to ask the Deputy Minister if the Board of Railway Commissioners are charged with the responsibility of auditing the accounts and the claims for payment.

Mr. SMART: Yes, they are; and they are certified to the Minister of Railways.

The CHAIRMAN: And parliament has said that is enough, under this statute.

Mr. SMART: Yes.

The CHAIRMAN: (Reading):

Amount required to provide for the payment from time to time to the Canadian National Railway Company of the deficit in receipts and revenues, occurring in the year 1932, of the Eastern Lines, as provided by the Maritime Freight Rates Act:—

(a) Amount of the deficit (less that amount thereof as in the next following paragraph specifically provided for) in the receipts and revenues, \$6,217,400.

(b) Amount of the deficit in receipts and revenues occurring on account of the reduction in tolls under the application of the Maritime Freight Rates Act, \$1,750,000.

Is this the usual form?

Mr. SMART: Yes, sir, that is exactly the way we did it.

Mr. POWER: In the case of the other roads, as I understand it, we pay the difference between the freight rates which existed at the time of the coming into force of the Maritime Freight Rates Act and the preferred rate?

The CHAIRMAN: Yes.

Mr. POWER: In the case of the Canadian National Railways, we simply pay all the deficit?

Hon. Mr. MANION: Yes.

Mr. POWER: We do not take into consideration the 10 per cent reduction?

Mr. SMART: Simply the deficit is split in two, what you would get if the Maritime Freight Rates Act were not in effect and this amount.

Hon. Mr. MANION: As a matter of fact they take in the 20 per cent and count it as their ordinary revenue, and then we have to pay the deficit.

The CHAIRMAN: As a matter of fact the deficit on Eastern lines was the total of \$857,000.

Mr. POWER: You are wrong there.

The CHAIRMAN: Yes, I am all wrong there.

Mr. POWER: What is the mileage of the C.N.R. to which this Maritime Freight Rates Act applies?

Mr. SMART: Everything east of Diamond Junction.

The CHAIRMAN: What is the mileage, approximately?

Mr. FAIRWEATHER: 3,342 miles of Canadian National miles.

Mr. POWER: That is the same distance or mileage to which the \$6,000,000 operating deficit applies?

Mr. FAIRWEATHER: Yes.

The CHAIRMAN: The total is \$8,867,000, of which \$1,750,000 is the contribution under the 10 per cent.

Mr. POWER: The total loss is only \$6,217,000?

The CHAIRMAN: After the 20 per cent.

Mr. POWER: You would not take that \$900,000 mentioned above as a loss on the other railroads?

The CHAIRMAN: No, it may be a profit.

Mr. POWER: That is we give \$1,750,000 as a subsidy and we absorb a loss of \$6,217,000?

The CHAIRMAN: Yes. The memorandum which has been distributed as Exhibit A, should go into the record along with the estimate, for the convenience of those who want to study it.

CANADIAN NATIONAL RAILWAYS
EASTERN LINES

Financial Requirements to be Provided for in the Estimates of The Department of Railways and Canals,
For the Year ending December 31st, 1932.

Operating Revenues.....	\$21,476,000 00
Operating Expenses.....	25,060,000 00
Net Operating Deficit.....	\$ 3,584,000 00
Other Income Debits and Credits—Net.....	2,257,859 78
Net Income Deficit before Fixed Charges.....	\$ 5,481,859 78
Interest on Funded Debt due Public—Exhibit “A”.....	360,665 22
Profit and Loss Debits or Credits—Net.....	\$ 6,202,525 00 14,875 00
Interest on Dominion Government Advances.....	\$ 6,217,400 00 626,413 00
Estimated Net Change in Profit and Loss during Year.....	\$ 6,843,813 00
Estimated Net Change in Profit and Loss, as shown above.....	\$ 6,843,813 00
Deduct: Interest on Dominion Government Advances.....	626,413 00
Deficit in Net Income due to other than Statutory Causes.....	\$ 6,217,400 00
Contribution under the Maritime Freight Rates Act, 1927.....	1,750,000 00
Net Financial Requirements.....	\$ 7,967,400 00

EXHIBIT “ A ”

CANADIAN NATIONAL RAILWAYS
EASTERN LINES

Estimated Interest Requirements for the Year Ended, December 31st, 1932.

Name of Security	Issuing Company	Date of Maturity	Estimated Principal Outstanding Dec. 31, 1932	Estimated Interest Accruals Year Ending Dec. 31, 1932
			\$ cts.	\$ cts.
3½% First Mortgage Gold Bonds.....	H. & S.W. Ry..	Sept. 30, 1942...	4,447,000 00	155,645 00
4% Debenture Stock.....	St. J. & Q. Ry..	1962.....	2,727,977 40	109,119 10
5% St. John and Quebec Ry. indebtedness.....		Various to 1958 .	1,814,022 60	95,901 12
Total.....			8,989,000 00	360,665 22

The CHAIRMAN: Shall these two items be reported to the House? Carried.
Now Mr. Heaps, what was your question?

Mr. HEAPS: I thought that we might be given the information in regard to the number of men employed.

Sir HENRY THORNTON: I think the first question to which Mr. Heaps refers is the list showing the number of men employed by the railway during the last five years, and the amount paid in wages during the same period. I shall file this. Would you like me to read it?

Mr. HEAPS: I would.

Sir HENRY THORNTON: The first figure I shall give you in each of those successive years, is the figure which represents the average number of men

employed, and the second figure represents the total wages. In 1927, 106,196 men, total wages \$163,712,099; 1928, the average number of men 110,156, total wages \$173,264,215; 1929, average number of men 111,383, wages \$177,037,682; 1930 the average number of men employed 101,046, wages \$159,980,994; 1931 the average number of men employed 91,416, total wages \$139,784,630.

Mr. HEAPS: Does that include all employees of the railways?

Sir HENRY THORNTON: That includes all the railways, on the whole of the system.

Mr. HEAPS: Including all salaried officials?

Sir HENRY THORNTON: Yes, everything, all employees.

Hon. Mr. ROGERS: Have any increases in freight rates taken place in the last year?

Sir HENRY THORNTON: No Mr. Rogers, none the last year.

Mr. HEAPS: I understand, Mr. Chairman, sometimes there is a division between the salaried employees and the men whom you might call the mechanical staff. You might not have the division at this time.

The CHAIRMAN: No. I think the questions are answered just as they have been asked.

Mr. HEAPS: Yes.

The CHAIRMAN: They have not got the division for that.

Sir HENRY THORNTON: That information is filed with the Dominion Bureau of Statistics.

The CHAIRMAN: Is it divided there?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: I am informed that information may be obtained from the Bureau of Statistics, and it is divided there.

Hon. Mr. EULER: How many men were employed on the Canadian National Lines in 1928 and how many are employed now?

The CHAIRMAN: He has just given that.

Hon. Mr. EULER: I missed that.

The CHAIRMAN: In 1928 the total number of men employed was 110,156; in 1931, 91,416.

Hon. Mr. EULER: What is the lowest?

The CHAIRMAN: 91,416.

Hon. Mr. MANION: Twenty thousand less.

Sir HENRY THORNTON: Mr. MacMillan asked this question: for the years 1930 and 1931 the amount of wages paid, the amount charged to capital account, and operating account. This statement includes the Eastern lines, the Central Vermont Railway, and the Grand Trunk Western, the whole inclusive system. In 1930, the wages paid were \$159,980,994, of which amount there was charged to operating expenses \$143,347,981. There was charged to capital and other accounts \$16,633,013. In 1931 the total wages paid were \$139,784,630, of which amount there was charged to operating expenses \$126,950,842. There was charged to capital account \$12,833,788.

Hon. Mr. MANION: In order to get the record straight, perhaps I might ask a couple of questions to bring out the information. The decrease of 20,000 men, I suppose, is largely due to decrease in business.

Sir HENRY THORNTON: Probably that represents the larger factor, although at the same time as everybody is aware, every effort has been made to economize and keep down expenses; but necessarily on a railroad the number of men em-

ployed fluctuates as the function of the business done, the amount of traffic moving.

Hon. Mr. MANION: I thought we should have the figures to illustrate the decrease in business. The figures for 1928 as compared with 1931 show a difference of \$104,000,000, 1928 being \$104,000,000 higher, on the gross earnings over the whole system, as compared with 1931, which pretty much shows the decrease in business, causing the decrease in numbers of men. I just brought that out because I thought the two figures might be put in together.

Mr. HEAPS: There was a bigger decrease in 1931.

Hon. Mr. MANION: They are still going down.

The CHAIRMAN: Sir Henry, in relation to those figures you have given in answer to Mr. MacMillan's question for the years 1930 and 1931, a very substantial proportion of this is charged to capital account, capital and other accounts. What are the other accounts, in the first place?

Sir HENRY THORNTON: Grade separation work and things of that sort in municipalities.

The CHAIRMAN: That is charged and paid out of another fund, we will say.

Sir HENRY THORNTON: My understanding is—

Mr. McLAREN: The railways in the first place pay out the expenses, and then make a collection from the government account grade crossing funds and from other—

The CHAIRMAN: From the municipalities?

Mr. McLAREN: From municipalities and other companies.

The CHAIRMAN: Supposing the railway commission orders a level crossing be abolished and overhead or underground substituted, which costs a large sum of money, and it is on capital expense. You get a contribution from the grade crossing fund, which is a Dominion Government contribution. The railway commission orders the municipality to pay a proportionate amount, which may be one third, depending on the order. Then, there is a balance which is taken up by the railways themselves.

Mr. McLAREN: Yes. You see, in the course of grade crossing work, the work may be done by the Canadian National Railways, and we pay the initial expenses. Then, on the distribution, in the order of the commission, we make the collections from the C.P.R. or other roads and part from the grade crossing fund.

The CHAIRMAN: You would not charge in the permanent capital account the total of \$16,000,000?

Mr. McLAREN: No, only our own proportion.

Hon. Mr. EULER: Have any grade crossings been charged to unemployment funds in the last year?

Hon. Mr. MANION: May I answer that? There has been some money given by the Government out of the unemployment relief fund to the Board of Railway Commissioners, and the board allocated that and spent it, on the different grade crossings which they decided should be done. But the railways did not get any money in that way. The money was given by the Government out of the unemployment relief fund, to the Board of Railway Commissioners, and they handled it in the usual way.

Mr. MACMILLAN: I do not think that quite answers my question. This is the question in the record, which I directed to Mr. Hungerford, who was here on that day: "Can you tell me, Mr. Hungerford, if in the years 1930 and 1931 the shopmen were employed reconstructing cars, and that sort of thing, engines and so on, and what portion of their wages was charged to capital account and operating account."

The CHAIRMAN: I did not understand that this is an answer to that question; is it?

Mr. MACMILLAN: I think so.

The CHAIRMAN: Did you ask this question?

Mr. MACMILLAN: No.

The CHAIRMAN: Let us get the record. What day did you ask that, Mr. MacMillan?

Mr. MACMILLAN: It will be found in No. 3 of the Minutes of Proceedings and Evidence, page 32.

The CHAIRMAN (Reading): Mr. MacMillan: Can you tell me Mr. Hungerford, if in the years 1930 and 1931 the shop men were employed reconstructing cars and that sort of thing, engines and so on, and what portion of their wages was charged to capital account and operating account?

You were just asking this to be segregated to the shopmen. Your question was directed only to the shopmen?

Mr. MACMILLAN: Directly in connection with reconstruction of engines and equipment, and Mr. Hungerford said that that was a matter in which there were well defined rules.

The CHAIRMAN: Yes. That was his answer, as I recall it.

Sir HENRY THORNTON: Have we answered Mr. MacMillan's question or not?

The CHAIRMAN: If you look at page 33, I think you will find that there is a misapprehension. Mr. MacMillan starts out with a concrete question such as he outlined on page 32, and then following a conversation, we find this question appearing on page 33:

For the years 1930 and 1931, the amounts of wages paid, the amounts charged to capital and operating account.

Now, that has been, I think, misinterpreted. What he wanted was referable to his previous question. Perhaps you can get that.

Sir HENRY THORNTON: I have got it here, Mr. MacMillan.

The CHAIRMAN: Let us have it on record.

Sir HENRY THORNTON: I shall ask Mr. Fairweather to read it.

Mr. FAIRWEATHER: The year 1930, the average number of employees in main shops, the compensation paid divided between capital and other accounts. 1930, 11,432 employees, paid chargeable to capital account, \$848,744.55.

Mr. HEAPS: Which shops do you call main shops?

Mr. FAIRWEATHER: They would be the shops at which our main repairs are done; Fort Rouge, Transcona, Stratford, Leaside, Montreal, St. Malo and Moncton.

Mr. MACMILLAN: London?

Mr. FAIRWEATHER: London, and Battle Creek in the United States, and Port Huron. The amount chargeable to other accounts was \$16,075,055.62. In 1931 the average number of employees was 11,153, charged to capital account \$955,474.86; charged to operating account, \$14,191,462.18.

Mr. MACMILLAN: What is meant by other accounts.

Mr. FAIRWEATHER: Well, it is almost entirely what is chargeable to operating account.

Mr. MACMILLAN: What does it consist of?

Mr. FAIRWEATHER: Almost entirely maintenance of equipment, but there would be, technically, a distinction with other accounts, but practically speaking, it is almost entirely maintenance of locomotives and maintenance of cars.

The CHAIRMAN: What is the amount of capital charged?

Mr. FAIRWEATHER: The amount chargeable to capital account? This is, mind you, only employees' compensation in the main shops.

The CHAIRMAN: That is all he is asking for.

Mr. FAIRWEATHER: \$848,000 in 1930, and \$915,000 in 1931.

Mr. GEARY: Who determines what is capital and what portion?

Mr. FAIRWEATHER: That is determined by the railroad classification of accounts set up initially by the Interstate Commerce Commission of the United States, and adopted by our own railway regulating authorities. It is, in the first place, determined by the officials of the company, and is afterwards audited by the independent auditor, George A. Touche and Company.

Mr. GEARY: By the I.C.C. account?

Mr. FAIRWEATHER: Strictly according to the I.C.C. classification.

The CHAIRMAN: Checked first by the company's auditor?

Mr. FAIRWEATHER: Checked by the company's auditor.

The CHAIRMAN: That is for all shops.

Mr. FAIRWEATHER: Main shops.

Sir HENRY THORNTON: Mr. MacMillan asked this question—I don't remember the date, but the question was asked, and it was this—the cost of printing the Canadian National magazine, the number of copies, the revenue, and if it is distributed free, the date on which they discontinued distributing it free. The answer is: the cost of publishing the Canadian National Magazine in 1931, was: expenses \$105,996.39; revenue \$63,188.40; net cost \$42,807.99. The number of copies issued was 1,036,150. Free distribution was discontinued with the April, 1932, issue. Due to the discontinuance of the free distribution, the net cost in 1932 is estimated at \$5,000. It is anticipated in 1932, the Canadian National Magazine will be on a self-sustained basis.

Mr. MACMILLAN: What do the figures of cost include?

Sir HENRY THORNTON: Mr. MacMillan wants to know in a general way the details of what is included in the costs.

The CHAIRMAN: In the \$105,000.

Mr. MACMILLAN: Yes.

Mr. MACLAREN: Chief costs would be the printing of the magazine.

The CHAIRMAN: Where is it printed?

Mr. MACLAREN: At the Saturday Night in Toronto.

The CHAIRMAN: By contract?

Mr. MACMILLAN: I understand that is the chief cost, but if that magazine were produced by some concern in the magazine business, who would have all the clerical assistance to do the work—

Sir HENRY THORNTON: We can get all that, Mr. MacMillan.

Mr. MACMILLAN: I understand you have a publicity department in connection with your railway? I suppose that department is responsible for the editing and getting out of the magazine.

Sir HENRY THORNTON: That is true.

Mr. MACMILLAN: Is any part of their expenses charged to the magazine?

Sir HENRY THORNTON: Yes; there is a proportion charged. We can get you that, if you wish it analyzed.

The CHAIRMAN: I should like to have a distribution of the costs. I have, for instance, some strong opinions about this matter myself. I think it is a

useless expenditure as far as I am concerned; that is only my own private opinion.

Mr. MACMILLAN: I would like to have the cost of the thing in 1929 and 1930.

The CHAIRMAN: They can give you that.

Sir HENRY THORNTON: Let us make sure we understand your question so we can answer it. Mr. MacMillan you would like to have the cost of the magazine in 1928, 1929 and 1930. Well, we have it here. Will you just read those figures for those years, Mr. Fairweather?

Mr. FAIRWEATHER: In 1928 the revenues were \$65,200.48; expenditures were \$109,313.19; the net cost was \$44,112.71. The number printed was 1,055,388, and the average cost per copy was 4.2 cents. In 1929 the revenues were \$84,837.50; expenses \$118,572.18 and the net cost was \$33,734.68. The number of magazines printed was 1,104,000, and the cost per copy was 3.1 cents.

The CHAIRMAN: That is for 1929. You have not given 1930 and 1931.

Mr. FAIRWEATHER: You want 1930. \$86,939.65; expenses \$119,527.20; net cost \$32,587.55. The number of magazines printed was 1,065,100, the average cost per copy 3.1 cents.

Hon. Mr. MANION: Have you the figure for the total publicity costs for the whole road in 1931?

Sir HENRY THORNTON: We can get it, doctor.

Hon. Mr. MANION: I wish you would put it on record. I have a statement here showing the publicity costs, which I think was put in the record last year. It shows the publicity costs for the year 1930 at \$1,452,489.26, and for 1929 \$1,429,390.94. I think that was on the record last year. At any rate, I would like you to put it on the record this year, the publicity costs for 1929, 1930, and 1931, or as many years back as you wish.

The CHAIRMAN: Does that include advertising?

Sir HENRY THORNTON: It includes advertising.

Hon. Mr. MANION: Yes, it includes advertising.

Sir HENRY THORNTON: The printing of time tables and all matters which go to the public.

Hon. Mr. MANION: You may put it in the form in which you gave it to me last year. I thought that was on the record last year, but I am not sure.

Sir HENRY THORNTON: You would like that?

Hon. Mr. MANION: The same type of statement.

Sir HENRY THORNTON: For last year?

Hon. Mr. MANION: Put it on the record as you have it there. Give it to us for three or four years.

The CHAIRMAN: Let us have 1929, 1930 and 1931.

Mr. MACMILLAN: Under the heading of Publicity Department, does it include transportation given to newspapermen?

Mr. McLAREN: Possibly this will give Mr. MacMillan the information he is asking for. I have it for the years 1930 and 1931. The cost of printing the magazine for the year 1931 was \$77,561.12; 1930, \$86,516.18; salaries, expenses, commission, etc., \$18,440; 1930, \$20,068, other expenses, \$9,994. For the year 1930, \$12,942. The total expenses of 1931, \$105,996; the year 1930, \$119,527.

Sir HENRY THORNTON: Do I understand, Mr. MacMillan, that you would like to have that information from the year 1928 to 1931 inclusive? That you would like not only the information which has already been given, but an analysis of the expenses. Do I understand you correctly?

Mr. MACMILLAN: Yes, that is right, Sir Henry. To go into the picture of the costs of the publicity department—

Sir HENRY THORNTON: That is outside of the magazine. I just want to get the question straight, so that I can get an intelligent answer for you.

The CHAIRMAN: Then why, Sir Henry, is the cost of the New York office rated along with the publicity department. That is a transportation office.

Sir HENRY THORNTON: I should like to answer that question, as it came up—

Mr. MCGIBBON: Before you get away from publicity, I should like to ask if that total includes the cost of advertising for the purpose of securing traffic, the pay of advertising agents, and so on, and if it includes the employees connected with other work in this country or Europe, because the figures I got total very much more than that.

Hon. Mr. MANION: Those are the ones I gave?

Mr. MCGIBBON: Yes, but the figures I have total something over \$2,300,000. It seems that all the answers to the question depend on how specifically you ask them. Unless you give a categorical and detailed question, you do not get the total costs.

Sir HENRY THORNTON: We try, I think, to answer the questions just as honestly and with as much sincerity as we can. Now, if there is any additional information wanted, or anything of that sort, we shall be only too glad to have it furnished.

Mr. MCGIBBON: When you were asked for the total cost of advertising, that ought to be enough, without having to specify all the different things that go into it to make up the total.

Hon. Mr. MANION: This is the list I gave here. It gives a list of 37 different items, adding up to the total which I gave. Whether it includes all of that amount or not, I do not know, but this is a statement that was given me last year by the railway, and I thought it was put on the record. I remember some of it came out in this committee, and I thought it all did.

Sir HENRY THORNTON: Now, I want to make sure I understand these various questions. I understand what the Minister wants.

The CHAIRMAN: Dr. McGibbon suggests this is not a complete picture of the publicity last year. The figure he mentioned ran over \$2,000,000.

Hon. Dr. MANION: This statement is headed "advertising expenses 1930, 1929, comparative system, including eastern lines."

The CHAIRMAN: Covering the Central Vermont?

Hon. Mr. MANION: Being the sum of \$27,000 odd for that road.

Sir HENRY THORNTON: What is the total?

Hon. Mr. MANION: For 1929?

Sir HENRY THORNTON: 1930.

Hon. Mr. MANION: \$1,452,489.26.

Sir HENRY THORNTON: We have that statement here. That statement you have does not include steamships. It is the railway statement. We issue one for both.

Hon. Mr. MANION: I thought you might put it in separately.

Mr. MCGIBBON: The figures I got from the Bureau of Statistics for the year 1930, for instance, are headed "Advertising Expenses (Acct. 363)." For the year 1930 the advertising expenses were \$1,669,150.87, and industrial and immigration bureau, account 356 for the same year, \$670,395.77. Putting those two together, it amounts to \$2,369,546.64.

The CHAIRMAN: Doctor, would you just designate those two accounts again?

Mr. McGIBBON: The first account is headed "Advertising expenses (acct. 353), 1930, \$1,699,150.87."

The second account is headed "Industrial and Immigration Bureaus, (acct. 356) 1930, \$670,395.77."

The CHAIRMAN: These two items total over \$2,000,000. They are not included in this other, because we have nothing comparable to that analysis.

Sir HENRY THORNTON: I will give you those figures, which may perhaps, clear the situation. In 1930 the total expenditure included in the advertising budget was \$2,106,730.79, divided as follows: Traffic, \$1,426,233.28; hotels, \$69,513.20; Canadian National Steamships, \$103,315.90; radio, \$420,028.17; navigation and electric lines in Ontario, \$12,338.66; telegraphs, \$22,073.48; express, \$13,348; colonization and natural resources, \$40,880.10; totalling \$2,106,730.79.

In 1931 the total advertising expense of the items I have mentioned above, including the items I have mentioned above, amounted to \$1,565,320.06; of which \$1,050,000 was on account of traffic; \$75,000 on account of hotels; \$60,000 on account of Canadian National Steamships; \$325,000 on account of radio; \$12,500 on account of navigation and electric lines in Ontario; \$26,400 on account of telegraphs; and \$9,100.06 on account of colonization and natural resources.

The budget for this year, which it is proposed to follow, is on account of traffic, \$697,800; on account of hotels, \$48,800; on account of Canadian National Steamships, \$99,097; radio, \$114,000; navigation and electric lines in Ontario, \$9,512.50; telegraphs, \$13,500; express, \$7,920; colonization and natural resources, \$7,700; aggregating in total, \$998,329.50. That is to say a reduction from \$2,106,730.79 in 1930, to practically \$1,000,000 in 1932.

Mr. MACMILLAN: There are such items as hotels and travelling expenses and that sort of thing. Is that a section of the general travelling expense account, a redistribution of it into different departments?

Sir HENRY THORNTON: That is an accounting matter. Can you answer that, Mr. McLaren?

Mr. McLAREN: I do not know that I got Mr. MacMillan's question correctly. I might say, as far as the hotel expenses are concerned, it is divided into primary accounts, possibly 30 or 35; that is taken into the railway accounts; that is the result of the operations is reflected in income accounts, miscellaneous hotel operations.

Mr. MacMILLAN: I think I can elaborate my question a little better. Perhaps it was a bit ambiguous. This item of \$2,000,000 which was spoken of yesterday as officials' travelling expenses, I think Sir Henry dealt with it yesterday. Would there be a distribution of that among departments?

Mr. McLAREN: Oh, yes.

Sir HENRY THORNTON: Would there be any of that in this statement?

Mr. McLAREN: Yes, there would be.

The CHAIRMAN: If I followed your figures correctly, and I do not know that I did, your budget for publicity including advertising ran over \$2,000,000 in a given year, and it is now down to less than \$1,000,000 in round figures.

Sir HENRY THORNTON: That is correct.

The CHAIRMAN: What about your overhead in that sum? Is that cut comparatively? Because, according to the figures I have received, this department is top-heavy.

Sir HENRY THORNTON: We have reduced the overhead expenses in various ways, but after all I think it must be remembered that probably in times of depression, and when efforts are being put forth to economize and methods are to be found to economize, it requires just as much overhead, and probably more brains and more anxiety and more vigilance, which can only be exercised by supervising officers, than in times of great prosperity.

Hon. Mr. MANION: How would that decrease of a million be made up, Sir Henry?

The CHAIRMAN: Just before you come to that, if the Doctor will allow me, that sounds very fine to me, but I will venture to say that there is no industrial concern in this country which is following that practice, and that overheads are the one thing that have been cut. I am coming down to a concrete instance. You have a director of publicity in this railway who is drawing down, I venture to say, as high a salary, if not higher, than any editor-in-chief in any daily paper in Canada. I would like to know how you justify that.

Sir HENRY THORNTON: To answer, first, specifically, the question raised by the Chairman. I do not know myself what the compensation may be for editors, and so I am not in any position to draw any comparisons. I can only say with respect to the administration of the publicity department that so far as I am able to judge we are not paying an amount greater than is paid on other railways for a similar kind of service.

Now it happens that in all industrial organizations, and in railways also, it is necessary to have a publicity department, particularly with respect to the Canadian National Railways System, because, after all, the Canadian National Railway is relatively an infant in the railway world, in point of years.

Hon. Mr. MANION: *Enfant terrible.*

Sir HENRY THORNTON: As somebody said last night, the little barefooted urchin grows up to be a statesman. You never can tell what will happen.

Hon. Mr. MANION: A very good comeback.

Sir HENRY THORNTON: I remember very well that in 1923 the Canadian National Railway System was relatively unknown outside of Canada, and frequently, and in fact more often than not, it was confused with the Canadian Pacific. I have had people ask me whether I was in charge of the Canadian Pacific or the Canadian National, and did the Canadian National own the Canadian Pacific, or did the Canadian Pacific own the Canadian National. And the majority of people in the United States,—from which we draw the bulk of our tourist traffic,—when they came to travel in Canada, automatically selected the Canadian Pacific because they had heard of that railway and knew of it largely, through the decades of its existence, through the advertising and publicity which it had put out. And we were like any new enterprise that broke into a new field; we had to establish our existence and the character of our services and what we had to offer in the minds of a vast number of people who would become prospective passengers, prospective clients, and prospective shippers.

Now, in time, as an industry establishes itself and proves the quality of its goods through purchase by clients, it is in a preferred position with respect to an entirely new industry which enters the field. So that in the initial stages of the existence of the consolidated Canadian National Railway System, if we were going to get our share of the traffic, we had to go out after that traffic and we had to make it clear to clients of all sorts just what the Canadian National Railway System was, what its facilities were, and what it could offer.

If we had pursued any other policy, I think, we would by no means have got the traffic patronage that we have got. And, in advertising the Canadian National Railway System, we were advertising Canada. That, briefly, is the situation.

This whole question of advertising is not a thing that can be answered lightly or dismissed with a word one way or the other. In that I mean to indicate that nobody has such a desire; but we all do know that industrial corporations and those enterprises which have for their object the sale of a commodity or a product of a service to the world as a whole have got to get their wares before the public and have got to advertise. And it runs in my memory that the relation of our publicity expenses to our gross revenue is not excessive with respect to those same percentages on other railroads.

What you do and how far you go is a matter of judgment, it is a matter of business experience, a matter of experience in the transportation business itself; just as a soap manufacturer has to decide how much money he is going to expend to get his soap on the market and get it known; and it cannot be anything but a matter of judgment.

In view of the situation that confronted us this year, in view of the lesser number of prospective patrons and clients, which again is the result of depression, we felt that we must reduce our advertising expenses; and we have so done; but to handle intelligently an advertising proposition requires experience in advertising and requires brains. It cannot be left to a junior clerk or an office boy or those who have insufficient knowledge of the business. And all of these matters, this particular thing to which we refer here and the subjects which have been brought up, have been discussed and considered by the directors and myself and the officers of the company.

Hon. Mr. MANION: Could you give the details, Sir Henry? You say you have reduced these expenses by a million, could you give in general the details of which it is made up?

Sir HENRY THORNTON: I do not think I could right off.

Hon. Mr. MANION: Have you the number of the personnel? What was the number last year and what is the number this year?

Mr. FAIRWEATHER: The reduction in employees January 31, 1931, to August 31, 1931, amounted to 41; subsequently to September 1, 1931, a reduction of 43; a total of 84.

Hon. Mr. MANION: Out of how many?

Mr. FAIRWEATHER: I have not the statement in my hands of just how many that quota was.

Sir HENRY THORNTON: You can get that.

The CHAIRMAN: If I follow you, this matter of publicity is a substantial matter of policy, and you have given us your view upon it.

Sir HENRY THORNTON: Yes.

The CHAIRMAN: If I follow you, you have not substantially reduced your overhead in this department?

Sir HENRY THORNTON: Oh, yes. Mind you, Mr. Chairman, you asked me a good many questions which I cannot answer offhand.

Mr. FAIRWEATHER: The total number of employees at the end of 1930 was 180 in the general publicity department. That stands to-day at 71.

The CHAIRMAN: That is some improvement. Are there any further questions at this moment arising out of this?

Sir HENRY THORNTON: I am not sure whether I have all the questions down which these gentlemen want, but I have a memorandum.

Hon. Mr. MANION: They appear in the record, and you can get them from the clerk.

The CHAIRMAN: Are there any further questions along that line?

Mr. GEARY: Do you include in the advertising the cost of time-tables?

Sir HENRY THORNTON: Yes. Of course there are a large number of time-tables purchased and a large number distributed. Incidentally, it is very interesting to note that in England, as I recall it, a small charge is made for time-tables; and the practice, of course, is an advantageous one, if you could get it established. The universal custom on the North American continent, I think, without any exception at all, is to furnish time-tables free; and because they are free they are very often taken by people who really do not need them. Some take them as a matter of curiosity, and throw them away; others take them and do not even look at them at all. But on the North American continent we have not been able to establish the practice of charging for time-tables, and I doubt very much if it could be established now.

Hon. Mr. EULER: I would like to ask Sir Henry's opinion on this matter of advertising. At a time when it is very difficult to get traffic, does he think that is a time to lessen efforts by way of advertising?

Sir HENRY THORNTON: The way to answer that question, Mr. Euler, is this. Obviously, when traffic begins to fall off for various reasons, it is a good policy to redouble your efforts in the hope that you can retain a larger proportion or secure a larger proportion from competitors. And when I say "competitors" I am not at all speaking of competition in Canada as between the Canadian National and the Canadian Pacific Railway. We compete to a very considerable degree with respect to traffic between New York and Chicago, by way of our lines through the peninsula of Ontario and the Grand Trunk Western; and we come in direct competition with the Michigan Central and other railways that provide two routes through Canada between New York and Chicago. As I say, when business falls off we redouble our efforts to retain what we have and we get more. That is a perfectly sound principle to follow up to a point, and it is not susceptible to any precise formula, it is a matter of judgment as to just how far in falling traffic that sort of a policy is justifiable; and finally you get to a point which, I think, to some extent if not entirely, we have reached to-day, when there is not any business to be got by any kind of advertising and publicity. In other words, there is no good spending money to try to get something which does not exist. As long as it exists, you are perfectly justified in trying to get it. Our feeling has been that the situation generally on the North American continent is such that there is not anything to be gained by increasing advertising expenses; therefore we have felt that, in accordance with our judgment, we should reduce it to the figures which have been given.

Hon. Mr. EULER: I was not suggesting it should not be increased, but I thought there was a point beyond which you should not go in reduction.

Sir HENRY THORNTON: The question of judgment enters into it so completely.

Mr. GEARY: What percentage of cost is your advertising?

Mr. FAIRWEATHER: The percentage of the operating costs?

Sir HENRY THORNTON: If I understand your question, you mean what percentage of the total revenues is the advertising publicity cost?

Mr. GEARY: Yes.

Mr. FAIRWEATHER: It will form in 1932 approximately one part in 250. That would be a little less than a half of one per cent.

Mr. GEARY: I take it a patent medicine concern could never get along on that.

The CHAIRMAN: Of course, they are not comparable.

Mr. GEARY: It is just a comparison.

Sir HENRY THORNTON: There again, Colonel, comes in the question of knowledge of the business. Of course we all know that people who are selling patent medicines spend a great deal more money, relatively, on advertising than a railroad, according to the nature of the business.

Hon. Mr. EULER: Would you not say also that the advertising that is done in other countries, say the United States, by the Canadian National as well as by the C. P. R., results in very great revenues by way of tourist business, which the railways do not get, yet by which the country is benefited to the extent of probably \$250,000,000 in Canada.

Sir HENRY THORNTON: We have heard a good deal about the tourist business, and it is suggested that the revenue from that in the Dominion amounts to about \$250,000,000. That figure has been mentioned; it cannot be proven one way or another, but it certainly amounts to a substantial sum; but whatever it may be, the securing and retention of that tourist business is not exclusively a C.P.R. or Canadian National matter, or an outside hotel matter, or anything else, but it results from the combined efforts of all of those who are interested in attracting that tourist business to Canada. The provincial governments do something, and even the construction of highways may be regarded as a facility for the securing of that tourist business.

Hon. Mr. MANION: And would you not say, Sir Henry, that the vast proportion of the tourist business is not carried by the railways at all, but it is carried by motors.

Sir HENRY THORNTON: It is a little difficult to answer that question categorically. Of course a large proportion of it is carried by motors. It depends upon what section of the country you are speaking of. When you are speaking of Eastern Canada, I would say that is unquestionably true. When you get out in the west, far away from the large centres of population like Boston, New York, Philadelphia, Washington, and so on, I would say that the percentage would shrink, until you get out into British Columbia, on the Pacific Coast, and then you get an influx of automobile traffic that comes from San Francisco and Los Angeles and the western range of states.

Mr. CANTLEY: In 1931 what profit accrued by the operation of your foreign lines in the United States, for instance?

Sir HENRY THORNTON: I cannot answer that offhand.

Mr. MACMILLAN: Would you give me a statement of the expenses of the publicity department? I do not mean travelling expenses of the officials whose accounts might be divided up and charged to various departments, but I mean those particularly charged with the work in the department of publicity.

Sir HENRY THORNTON: If I understand your question, it is this,—how far back do you want to go?

Mr. MACMILLAN: 1929, 1930 and 1931.

Sir HENRY THORNTON: For 1929, 1930 and 1931, you want an analysis of the expenses charged to the publicity department?

Mr. MACMILLAN: I have had considerable experience in advertising and it has cost me a good many hundreds of thousands of dollars, and it is always a difficult problem to distribute that cost through the departments. Included in your figures you charge expenses of officials on business which you consider is publicity. For instance, you have a manager for a department and you have a staff under him. I want to know what their expenses are.

Sir HENRY THORNTON: That simply means an analysis of the expenses of that department?

Mr. MACMILLAN: I do not want an analysis of the salaries of the officials in the department, but merely of the men engaged in the work of publicity.

The CHAIRMAN: What Mr. MacMillan wants, if I understand him aright, is the entertainment account of the Commissioner of Publicity and his staff.

Mr. MACMILLAN: And all other expenses.

Mr. McLAREN: In other words, you want to get the total expenses of the publicity and advertising department without regard to the distribution into accounts, and not that department's expense distributed possibly to rail hotels and to Eastern Lines, and to other accounts.

Mr. MacMILLAN: You are speaking of the department, and not of the people who come into the picture?

Mr. McLAREN: Yes.

Mr. BELL: I want to ask a question, Mr. Chairman. I want to get a general statement from Sir Henry, if you have any contracts with any of your higher-up employees extending over a term of years, or can they simply be dismissed or fired on a month's notice?

Sir HENRY THORNTON: That is the case, Mr. Bell.

The CHAIRMAN: They have no term contracts. That is not usual.

Mr. BELL: I believe you did have a contract with an architect in Montreal who was signed up for a number of years, which contract, I understand, now is terminated. I believe you know the contract that I have in mind?

Sir HENRY THORNTON: Yes.

Mr. BELL: Are there many such contracts outstanding, which bind the railway company to expenses which in these days of economy you would not have?

Sir HENRY THORNTON: I will answer that question and I am quite positive that my answer is correct, but I would like to have an opportunity to check it and make sure that I have not overlooked anything. I might say that the contract to which you refer, and which has been cancelled, was the only one in existence.

Hon. Mr. MANION: If I understand, the Archibald contract is the one to which Mr. Bell refers. Is that cancelled so that there is no contract now with Archibald at all?

Sir HENRY THORNTON: I would like to look into that.

The CHAIRMAN: I had intended at some stage of the proceedings to ask for the complete statement of the Archibald contract, a copy of the contract and a statement of what it involved as it has been carried through, and what the actual expenditure is under it; and along with that I would like to have a statement of the engineering costs of the System's own engineers engaged in the same work.

Sir HENRY THORNTON: Architects and engineers?

The CHAIRMAN: Yes. I do not mind stating that representations have been made to me that that was a very extravagant contract. I am delighted to hear that it has been cancelled.

Mr. McGIBBON: And would you include commissions in that question?

The CHAIRMAN: Yes, all kinds of emoluments and commissions, whatever they may be, since the Montreal Terminals venture was projected?

Mr. McGIBBON: I would like to have that for 1929, 1930 and 1931.

Sir HENRY THORNTON: 1929 to date.

The CHAIRMAN: Including not only the Montreal development but all work in which Mr. Archibald had a hand.

Mr. BELL: Now, the next question, Mr. Chairman, is regarding the Montreal Terminal. This is a matter of extreme importance to the city of Montreal. I want to find out is the matter of the terminal facilities temporarily definitely stopped? Is there a nucleus of a staff kept, in case the work can go ahead? Thirdly, has the Royal Commission been appointed which is looking into the railway matters?

The CHAIRMAN: In other words, what is the position of the whole matter?

Sir HENRY THORNTON: I think the best thing would be to get up a general statement of the whole thing.

The CHAIRMAN: You cannot make the statement to-day offhand?

Sir HENRY THORNTON: No.

Mr. KENNEDY: I would like to have a statement of the legal fees paid by the railway, say, over the last three years.

The CHAIRMAN: Are you confining that to outside firms or to costs in the department?

Mr. KENNEDY: I want both.

The CHAIRMAN: Segregated under two categories, one to outside legal firms, and the other of the department.

Sir HENRY THORNTON: Mr. Kennedy wants a statement in respect of all legal expenses, of all sorts and descriptions, whether paid to whole-time lawyers of the company or paid in the form of fees to those who are outside of the company's service.

Mr. KENNEDY: Yes, and shown separately.

Mr. POWER: For what years?

Mr. KENNEDY: I asked for it for the last three years.

Mr. MCGIBBON: I would like, if I can, to get the commissions paid in connection with the purchase of immovable properties in Montreal.

The CHAIRMAN: Is that a statement of the commissions paid in respect to purchases of properties in connection with the Montreal Terminals?

Mr. MCGIBBON: Yes.

Mr. GEARY: Mr. Chairman, may I ask if you would be good enough to have Sir Henry make a statement as to the effect of the advertising not only of the Canadian National but also perhaps of the Canadian Pacific, also upon tourist traffic coming into Canada? Does it advertise the roads and the routes and that sort of thing and have some effect in inducing automobile traffic to come into Canada as well as railway traffic? I think that is a very important matter. We do not do much, as a government, in that.

Sir HENRY THORNTON: In the first place, the categorical answer to that question, Colonel, is that obviously the advertising which the railway and the steamship companies, such as the Canada Steamships, and hotels which are not owned by the Canadian Pacific or ourselves, and various local tourist agencies do, taken as a whole certainly must have a very considerable and advantageous effect upon the securing of tourist traffic for Canada.

I have before me here a figure, it is estimated that provinces, cities and towns in Canada spend about a million dollars a year in advertising on account of the tourist business. That is just a figure that may be interesting.

Mr. POWER: Do you mean, Sir Henry, that all the provinces and all these interests spend only about a million dollars?

Sir HENRY THORNTON: Can Mr. Fairweather explain that?

Mr. FAIRWEATHER: I rather think, if you got the full details, it might exceed that amount; but that is an estimate which was prepared by myself working in collaboration with the Montreal Tourist and Convention Bureau. The only definite information we could get was with regard to the larger cities and the provinces; and I have no doubt that there are expenditures by smaller towns and municipalities which would swell that figure.

Mr. POWER: Speaking of the provinces, it seems to me that the province of Ontario and the province of Quebec and the Maritime Provinces have very extensive publicity.

Mr. FAIRWEATHER: Well, we have the figures which the provinces supplied us. That is all I can say. It may be the same as Dr. McGibbon complained about, that we did not ask for it specifically. That was for 1930, of course, on this matter of the tourist business.

The tourist business is Canada's most important and largest invisible export, and in the question of the international balance of payments, and things like that, Canada's tourist trade is not only the largest of the invisible items but it is almost the largest item of the entire trade balance between Canada and the other countries.

Mr. GEARY: My information is that the Federal Government does not spend any money for advertising for tourists. I understand that the two railways do all the advertising that is done in a national way. Is that information right or wrong?

Mr. FAIRWEATHER: So far as I know, that is correct. That is supported by the provinces and larger cities and municipalities.

Mr. GEARY: Having that in mind, I ask if the publicity departments of the two railways might be responsible for some of the revenue which comes to us from outside countries? When we come to discuss the publicity of this particular railway, we might look afield to see if it does not, beyond swelling the revenues of the railway itself, do something for Canada as a whole.

Sir HENRY THORNTON: The answer to that question, Colonel, is undoubtedly in the affirmative.

The CHAIRMAN: If it were not, I think it would be a very sad state of affairs.

Mr. MACMILLAN: I asked some other questions the other day, and I wonder if you have the answers ready.

Sir HENRY THORNTON: Yes. The answers to these questions which Mr. MacMillan asked will have to be considered in connection with the pamphlet in regard to the pension system which was distributed.

(1) Question: What is the present system of superannuation on the Canadian National Railways?

Answer: There are three pension systems in operation on the Canadian National Railways, two of which are closed to new members. A memorandum in regard to each of these pension systems has already been submitted in evidence.

(2) Question: Is the system contributory?

Answer: (a) The Grand Trunk Railway of Canada Superannuation and Provident Fund Association, closed to new members as of December 31st, 1907, is a contributory system; (b) The Intercolonial and Prince Edward Island Railway Employees' Provident Fund, closed to new members as of August 7th, 1929, is a contributory system; (c) The Canadian National Railways Pension system, which is simply an extension of the old Grand Trunk pension system passed under the Statutes of Canada of 1907 and extended by Chap. 4, 19-20, George V (1929) to cover all employees of the system not already included under the other pension plans, is non-contributory.

(3) Question: Do you consider the system as operated at present fair to the people of Canada, the employees of the railway and the railway itself?

The answer to that is, Yes, but it requires qualification. I have answered it, Yes, but at the same time I think it demands an explanation.

Every large railway on the North American continent and all of those in Great Britain, and possibly those in other countries—but I can only speak for

the North American continent and England from personal contact—provide various forms of pension systems. Some are contributory and some are not. Those are the two general classifications of pension systems, that is to say, contributory and non-contributory. We have, as you will have observed from the answers to the questions which I have given about pension schemes which are now closed to new members, two which are contributory and one, the Canadian National Railways pension system, which is non-contributory.

The practice of all large railway companies has now become this: that pensions are provided in one way or another to care for employees who have outlived their years of active life and have reached a period where they are no longer, on account of age, effective officers or employees of the company. That is a principle which is not only recognized in the railway world but which is becoming recognized by governments and is a pretty well established principle. That is to say, that the industry itself should bear proper provision for the old age of those who have given their lives and have become worn out in its service.

Just how you do that, whether it is contributory or non-contributory, depends a good deal on circumstances. It depends a good deal on what arrangement can be come to with the employees of the company themselves. Even our large trade unions have pension systems.

If I were to express a personal opinion, I should say that in regard to the net income of any railway company, or as far as the expenses of any railway company are concerned, the first charge on the gross revenues of the company must be the payment of such compensation to those who are in its service as may be consistent with the character of the service and the going rate for such services; because, unless that is done, you immediately have dissatisfaction which translates itself into inefficiency, and you might have a strike in the event of an attempt to enforce a lower rate of wages or lower compensation than was considered fair by those who represent the employees. So that in the interests of the enterprise itself it is necessary to pay that compensation which promotes satisfaction, which is considered an adequate return, having all the circumstances in mind, to the individual involved and the classes of individuals. I think that is so obvious that it does not require very much argument. But there is still another charge on these expenses, and that is that after the individual, whoever he may be and in whatever class he may belong—and the great bulk in numbers are those who are considered employees—some provision has got to be made for his care during the remaining years of his life. That again is a principle which seems to be generally recognized. Some will go even further and say that another charge should be the maintenance of employees who have been taken ill or have been injured in the company's service. But, at any rate, it has become generally recognized in industrial practice that after the payment of proper compensation, the second charge is that contribution which enables individuals to live out their lives after they have passed a period of usefulness to the enterprise.

When we came to develop our pension situation under the consolidated Canadian National organization, we found these two different systems which I have outlined, the old Grand Trunk scheme, and the Intercolonial and Prince Edward Island railway scheme; and we were obliged to follow the usual industrial practice and hit upon some scheme, outside of the limitations of the two schemes to which I have referred, which would apply to other than the employees to whom those two schemes were open; and we developed this Canadian National pension system: It is non-contributory.

My personal view is that it is much better for a system to be contributory; that the employers should pay something and the employee himself should pay something as well, for the simple reason that by following that practice the employee himself is in a more dignified position; he is not an object of charity; and what is more important, under that kind of a plan both the employee and the employer benefit. The general pension charge is reduced in the aggregate,

but the employee, because of his contribution plus the contribution of the company, gets a better proposition out of it.

When we first undertook to start our Canadian National pension system, the employees generally—and they were after all the principal ones who had to be consulted—were not in favour of a contributing system; and we brought into being the present plan.

After these years have passed, I am able to inform you reliably that the opinion of the employees, as represented by their trade unions, has changed, and recently I have been approached with a view to re-examining and reconstructing this whole pension system on a contributory basis, which I think is much sounder than the present plan, and which I think will be of advantage to the company and of advantage to the employees. And that is one of the immediate things which we are going to take up at once, and will probably come to some complete readjustment during the present year.

Mr. MacMillan will probably say, You have got a long way from the answer to my question; but his question is not one which readily lends itself to a categorical answer of Yes or No.

I have tried to give you the facts as they are, and I have tried to be perfectly fair in my statement.

Mr. MACMILLAN: I am quite satisfied with the answer. My only question is why you did not come to the conclusion at which you have now arrived, some time ago. In the scheme, as you have it to-day, as years go by, there will be a great charge upon the treasury of the company.

Sir HENRY THORNTON: That is perfectly true; and the reason we did not do this at first is asked. You may ask, why did you not do all this six or seven years ago, and that is a perfectly proper question. The reason we did not do it then was because at that time we were unable to come to any understanding in that respect with the unions which represent 90 per cent probably of the men employed on the railroad. You must remember that at that time the management and officers, as officers of the combined system, were relatively unknown to the leaders of the trade unions; and in the intervening years we have come to know each other better and have established a feeling of mutual confidence; and out of that has grown a voluntary offer or suggestion on the part of the trade unions themselves that, having regard to the very large burden which this is apparently laying upon the railway, they feel that the time has come when there should be a re-examination of the whole pension scheme and the placing of the scheme upon a contributory basis. That is the reason, Mr. MacMillan, why it was not done at first.

The CHAIRMAN: The other systems to which you have referred are statutory systems?

Sir HENRY THORNTON: Yes, they all are.

The CHAIRMAN: You have told us that was the underlying reason for the adoption of the non-contributory system under your new scheme, which was inaugurated in what year?

Sir HENRY THORNTON: Was it 1929? That was rather an extension of the old Grand Trunk scheme.

The CHAIRMAN: That may have been the set-up for it, but it was different in that the one was contributory and the other was non-contributory. You have given us the reasons, as I understand you, that the trade unions were opposed to the contributory system. Was that the fundamental underlying reason, because the unions opposed it at that time, or were there not other reasons?

Sir HENRY THORNTON: I will have to explain that a little, if you will bear with me. One of the factors was that those who were mostly affected by the pension scheme did not see eye to eye with regard to a contributory system. The

other reason was that a good many of the railways on the North American continent have non-contributory systems. In other words, it is a proposition which can be argued from the point of example both ways; and we simply had to accept the situation as we found it and do the best we could with it; and as I have explained to you before, in the march of years the opinions of our people have changed.

Will Mr. Fairweather explain something which I had overlooked?

Mr. FAIRWEATHER: This matter of pension schemes, whether they are contributory or non-contributory, is not very simple. The Grand Trunk contributory system was their first pension scheme, and it got to be very unpopular with the men,—very, very unpopular with them. So unpopular, as a matter of fact, that the Grand Trunk decided to take a vote on the matter, and the vote was very heavily against the contributory system. And in 1908, the Grand Trunk established a non-contributory system simply with the proviso that those who wished to drop out of the contributory system could do so on a certain basis and become members of the non-contributory system.

What happened in the Canadian National pension scheme was simply this. The Grand Trunk non-contributory system was extended to cover all employees. The Grand Trunk contributory system had been closed out to new members for a long time. And the Canadian Northern Railway, being a very young railway and not firmly established, had no system at all.

Sir HENRY THORNTON: I might also add, for the information of the Committee, that pension systems on railways originated much earlier in the United Kingdom than on the North American continent. In the United Kingdom pension systems, both on railways and in industrial plants,—but I am speaking now particularly of railways,—have been in existence for many, many decades; probably shortly after the appearance of railways the pension system appeared. And, as my memory serves me, the great bulk, but not all, of those pension schemes in the United Kingdom were contributory schemes. I am speaking from memory, but I think from my knowledge of the situation I am not far wrong.

Mr. POWER: In any case, the scheme now in force was one which was passed by parliament and incorporated by a special statute?

Sir HENRY THORNTON: That is true.

The CHAIRMAN: Submitted by the management and legislated upon by parliament.

Mr. POWER: It is what is known as the Canadian National Railways Pension Act, 1929?

The CHAIRMAN: Yes.

Mr. MCGIBBON: I would like to ask another question. Are these pensions regulated by well-defined regulations?

Sir HENRY THORNTON: Oh, yes.

Mr. MCGIBBON: Or can they be modified by officials?

Sir HENRY THORNTON: They are regulated by very definite instructions, and are under the supervision of the Board of Directors.

Mr. MCGIBBON: And cannot be changed?

Sir HENRY THORNTON: Excepting by decision of the Board.

There is another question which Mr. MacMillan asked, and then I will be able to finish up the list of questions which he gave me.

Mr. MACMILLAN: There is question No. 4.

Sir HENRY THORNTON: The question is:

(4) Is it possible for an employee or an official of the Railways to be paid a larger pension than the pension scheme calls for?—If so, who

is the authority to increase the pension of either an employee or an official?—Answer. Yes. The Board of Directors has authority under the provisions of the General Railway Act of Canada.

Mr. GEARY: Mr. Chairman, I think I understand the situation, but am I right when I assume that in your balance sheet you carry a credit for an amount sufficient to keep these funds actuarially solvent?

Sir HENRY THORNTON: Oh, no.

Mr. FAIRWEATHER: The situation there, sir, is a little different in regard to each of the funds.

With regard to the non-contributory system, there is no fund at all. With regard to the contributory system, there is in the case of the Grand Trunk Superannuation Fund a board of trustees, which is not the Canadian National Railway at all; it is a board of trustees, and that board of trustees has a fund all its own, and it invests its money in securities. It actually has a fund, and its money is invested in first mortgages, Dominion Government securities, and things of that kind; but that is no part of the Canadian National Railway; it is a trustee fund, represented by employees, and the railway have a representative on the Board.

Mr. GEARY: You have not contributed or set up as a reserve or in any other way a sum of money which will make your non-contributory fund actuarially solvent?

Mr. FAIRWEATHER: The Grand Trunk contributory fund is actuarially solvent. The Canadian National Railway has no contributory fund.

The CHAIRMAN: Referring to Mr. MacMillan's question No. 4, my attention is directed to section 122 of the Railway Act, which provides:

The Directors may pass bylaws or pass resolutions from time to time, not inconsistent with law, for

(c) the retirement of such of said officers and servants, on such terms as to an annual allowance or otherwise, as in each case the directors, in the interest of the company's service, and under the circumstances, consider just and reasonable.

Mr. MACMILLAN: As a result of that, have the directors from time to time exercised their power under that section of the Act?

Sir HENRY THORNTON: Yes, Mr. MacMillan.

Mr. MACMILLAN: They have increased the pension?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: Could we get a statement of that for, say, the last five years?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: Col. Cantley has submitted a question which I am going to read and then hand to the management:

A memorandum is desired showing operating expenses (including taxes paid, if any) on all hotels owned and operated by the Canadian National Railways during the calendar years 1930 and 1931; also total cost of Nova Scotian Hotel, Halifax, as at December 31, 1931, subdivided as to land, buildings, furnishings and the amount, if any, written off for depreciation between the date of the opening of the hotel and December 31, 1931.

Mr. MCGIBBON: I would like to have the cost of all the hotels of the company given us.

The CHAIRMAN: It is now one o'clock.

The committee adjourned until 4 p.m. today.

HOUSE OF COMMONS, ROOM 231,

May 3, 1932.

The Select Standing Committee on Railways and Shipping met at 11 o'clock. Mr. Hanson presiding.

The CHAIRMAN: Gentlemen I have been handed by one of the members of the House of Commons a series of eight questions which deal very largely with traffic. For instance, the first question is:—

1. What has been the earned revenue of the Canadian National Railways from passenger and freight traffic originating in the various provinces?

I understand that information is not kept by provinces. I cannot understand how it can be answered.

2. What expenditures in the building of new branch lines or repairing of old branch lines have been made by the railways in the various provinces?

They might be able to get that information, but I very much doubt it.

3. What revenue has been realized in grain shipments, by provinces?

I do not understand that the accounts are kept in that way.

4. How much grain—total tonnage—has been shipped via Churchill over the Hudson's Bay railway?

I presume that information is available.

What are the gross receipts of all other traffic over the Hudson's Bay railway?

That could be answered.

What was the total cost of operation of Hudson's Bay road since its opening?

5. Have the Western Wheat Pool or other Canadian interests built grain and storage elevators at Buffalo or other United States ports? Does such diversion mean loss of revenue to Canadian railways and Canadian ports—and if so, what is a conservative estimate of the loss?

Well, there is no authoritative record, I presume, in the railway records of that, but they will have to do the best they can about it.

6. How much American grown grain was carried by Canadian railways during the past five years?

That could be obtained from the Bureau of Statistics.

What revenue was derived therefrom?

7. How much Canadian grown grain was carried by foreign bottoms? What loss of revenue did this mean to Canadian shipping interests?

8. Has any foreign legislation been passed to protect foreign transportation companies or shipping interests, and may the committee have an enumeration of such Acts of legislation.

Well, I have passed these along to the management of the Canadian National Railways and they will do the best they can with them.

Sir HENRY THORNTON: There are some of these questions, as you pointed out, Mr. Chairman, which I am quite sure we cannot answer, and some we can get the information for from other sources perhaps. All we can do is take these questions and do the best we can with them.

The CHAIRMAN: Dr. McGibbon, you are aware that Mr. Séguin was summoned at your request to be present this morning. I understand he is present. Do you wish to proceed with him?

Dr. MCGIBBON: Yes.

G. HENRI SÉGUIN, called and sworn.

By the Chairman:

Q. What is your name, residence and occupation?—A. G. Henri Séguin, 4960 Grosvenor avenue, Montreal, notary.

By Mr. McGibbon:

Q. What was your occupation in 1930?—A. I was Notary.

Q. In whose office were you?—A. Decary, Barlow and Joron.

Q. What was your position in that office?—A. Notary.

Q. Were you a partner?—A. I am a member of the firm.

Q. Were you a partner?—A. No, I am not a partner.

Q. Were you in 1930?—A. Yes sir.

Q. Were you a partner in 1930?—A. No, sir.

Q. You were not; were you employed?—A. Yes sir.

Q. You were employed in 1930 as a notary?—A. Yes sir.

Q. I suppose at a reasonable salary that notaries get—I do not want to ask you what you were getting?—A. I suppose so.

Q. In 1930 you drew a deal for a house on Pine Avenue, 1415 Pine Ave., Montreal?—A. Yes, sir.

Q. How much did you pay for it?—A. \$185,000.

Q. How much money did you put up?—A. I did not put up any personal money.

By the Chairman:

Q. Were you acting for yourself or for somebody else?—A. I was asked by Mr. E. R. Decary—

Q. Who was he?—A. He was president of the Title Guarantee and Trust Corporation of Canada.

Q. What other position did he occupy?—A. I do not know.

Q. Was he a director of the Canadian National Railways at the time?—A. I do not know at the time. He was at one time.

Q. Was he a director, Sir Henry?

Sir HENRY THORNTON: Yes.

By Mr. McGibbon:

Q. Did you pay for the property?—A. Yes, sir.

Q. Did that include furniture?—A. Yes, sir.

Q. How much of it was allowed for the furniture?—A. \$10,000.

Q. Have you an inventory of the furniture?—A. There was a list of furniture annexed to the deed.

Q. There was a list of that annexed to the deed; and where did you borrow the money?—A. From the Montreal Trust.

Q. How much did you borrow?—A. \$185,000.

Q. That is, you borrowed 100 per cent, plus \$10,000 more for the furniture?—A. Yes, sir.

Q. You did?—A. Not plus \$10,000—\$185,000 altogether.

Q. That is what I said—\$175,000 for the property and \$10,000 for the furniture?—A. Yes, sir.

Q. You borrowed it all from what company?—A. Montreal Trust Company.

Q. What date was that?—A. The beginning of August.

Q. Now, what date was it? You know the date?—A. I do not know the exact date. I know the deeds were completed on the 8th of August.

Q. What do you mean by deeds?—A. The deed of sale and the deed of loan.

Q. That is to say you bought property, you mortgaged it and you leased it all on the one day?—A. Yes, sir.

Q. That was the day before the Right Hon. R. B. Bennett became Prime Minister, was it? What was the great hurry?—A. I do not know anything about it.

Q. You were putting through the deal; you ought to know?—A. I did not put through the deal; I signed the deeds.

Q. You told me awhile ago you bought the property?—A. Under the deed of sale.

Q. You signed all the agreements?—A. I signed the deed of sale and the deed of loan.

Q. You were just a tool of Mr. Decary's, is that it?

The CHAIRMAN: You were an employee of Mr. Decary; put it that way.

Mr. McGIBBON: He says he does not know anything about it.

Mr. POWER: He was acting under instructions from Mr. Decary. That is not quite fair.

By Mr. McGibbon:

Q. You acted as an employee of Mr. Decary?—A. Yes.

Q. And how much did you get? What interest did you pay the Montreal Trust Company?—A. Six and one-half per cent.

Q. What did you get from the Canadian National Railways?—A. Eight and one-half per cent. We did not get interest; we got rent.

Q. What rent?—A. A rent equal to $8\frac{1}{2}$ per cent.

Mr. POWER: Is all this set forth in the deed?

The CHAIRMAN: I just had the document put in front of me. I do not know whether it is or not. If it is reduced to writing we ought to have the written evidence, of course; but the question is quite in order.

By Mr. McGibbon:

Q. Then there was a profit of 2 per cent?—A. The difference of 2 per cent was in reduction of the mortgage, because, according to the deal—

The CHAIRMAN: The amortization of the principal?

The WITNESS: Yes.

By Mr. McGibbon:

Q. At the rate of 2 per cent a year?—A. Yes.

Q. Was the Canadian National Railway financing the whole thing and amortizing it to the extent of 2 per cent?—A. Yes, sir.

Q. And paid for the furniture as well?—A. As far as I know, the Canadian National Railways pays the rent.

Q. Who owns the house?—A. I am the registered owner.

Q. In other words, you got a graft of 2 per cent on a deal of \$185,000.

The CHAIRMAN: He got a profit.

Mr. POWER: I object to that way of putting it.

Mr. McGIBBON: Call it "profit"; I would prefer the word "graft."

Mr. POWER: It is not fair to this witness.

Mr. McGIBBON: My point is this: There is no notary on earth who could finance that deal of \$185,000 and go to a trust company and get the whole thing and turn it over to the National Railways in the terms he has got.

By the Chairman:

Q. Let us ask the witness about that. Mr. Séguin, did you conduct negotiations for the purchase of the house yourself?—A. No sir.

Q. Who did?—A. I do not know. I was asked by Mr. Decary to purchase the property and signed the deeds and borrowed the money.

Q. So far as you know, it was Mr. Decary's child?—A. Yes sir.

Q. Of course, that is true; is it not?—A. Yes.

Q. Did you conduct negotiations with the Montreal Trust Company for the borrowing of the money?—A. No sir.

Q. Mr. Decary did that too, did he?—A. Yes sir.

Q. That is Mr. Decary's baby also, is it?—A. Yes.

Q. So that as far as you are concerned, you carried out your instructions?—A. Yes.

Q. And you took your instructions wholly from Mr. Decary?—A. Yes.

Q. And Mr. Decary gets the profit on this house, does not he?—A. Yes.

Q. You are just a trustee, we will call you that?—A. Exactly.

Q. Did you get anything privately, personally, out of this profit?—A. None of it.

Q. You got your salary and Mr. Decary gets any profit there is?—A. Yes.

Q. And at the time the deal was made Mr. Decary was a director of the Canadian National Railways?—A. I do not know exactly.

Q. Don't you know that? Everybody else knows it; and he did not cease to be a director until some weeks after the 8th of August, 1930, and he had been a director some years previous to the 8th of August, 1930?—A. Yes.

Q. So that Mr. Decary in his capacity as a director of the Canadian National Railways purchased the house and leased it to the railways out of which he has made a profit as a director. That is the fact of the matter, is it not?—A. I do not know.

Mr. POWER: I think we will have to call Mr. Decary.

The CHAIRMAN: I do not care whether you do or not.

Mr. POWER: I move that he be called.

The CHAIRMAN: I do not care anything about it. I would like the fun of cross-examining Mr. Decary.

By Mr. McGibbon:

Q. Who owns the house to-day?—A. I am the registered owner.

By the Chairman:

Q. You are not the true owner?—A. No.

Q. Mr. Decary is the true owner, and you are the trustee for him?—A. Yes.

Mr. McGIBBON: Sir Henry, are you a director of the Montreal Trust Company?

Sir HENRY THORNTON: I am now, but I was not at the time this transaction went through.

Mr. MACMILLAN: When did you become a director of the Montreal Trust Company?

Sir HENRY THORNTON: I could not tell you exactly. I would have to look that up.

Mr. MACMILLAN: Well, Sir Henry, in making the statement here the other day about this house you went into the matter at length—

Mr. DUFF: Why not get through with the witness first and deal with Sir Henry afterwards.

The CHAIRMAN: If Mr. MacMillan wants to interject a question to the president, I see no great harm in that. Ordinarily, it would be out of order.

Mr. MACMILLAN: I am saying that Sir Henry made a statement in regard to the house deal and he quoted first the resolution of the Executive committee of the Canadian National directors of September 17, 1929, expressing the opinion that a suitable residence for the president of the company was essential for the proper conduct of the company's business, and resolving that the Executive committee should undertake to make such lease under such terms and conditions as the committee may subsequently deem proper. On September 23, 1929, the directors approved the resolution of the Executive, and the lease was authorized on March 24, 1930. The minutes of the Executive meeting tell of the president leaving the meeting. Now, could we get a copy of those minutes?

Sir HENRY THORNTON: Why, certainly.

By Mr. MacMillan:

Q. That was the situation in September, 1925. Can you tell me, Mr. Séguin, when the negotiations for the purchase of this house were entered into first?—A. I do not know at all. I did not make the negotiations.

Q. All you know about it is when the documents were presented to you to be signed?—A. Yes.

Q. You know nothing else.

By the Chairman:

Q. The documents were passed before you as Notary?—A. They were not passed before me.

Q. The documents were passed before whom?—A. Notary Joron.

Q. Was he another Notary in your office?—A. Yes.

Q. You told us that the purchase price as disclosed by the documents for the house and furniture was \$185,000?—A. Yes.

Q. Was that the price that was actually paid?—A. Yes.

Q. Do you know that of your own knowledge?—A. Yes; because the cheque from the Montreal Trust and the loan was made to my order and was endorsed to me and turned over to the Royal Trust which was acting for the vendor.

Q. The Royal Trust got the money and got the full \$185,000?—A. Certainly, sir.

By Mr. McGibbon:

Q. You did not own the house before the 8th of August, 1930?—A. No sir.

Q. You had no house to rent previous to that to the Canadian National Railways?—A. No sir.

Q. Then when Sir Henry made the statement the other day that they had passed a resolution some months before that they were going to approve the renting of a house you had nothing to rent at that time?—A. I beg your pardon?

Q. You had nothing to rent at that date?—A. No sir.

The CHAIRMAN: Do you mean the date of the resolution?

Mr. DUFF: Mr. Séguin, were you negotiating for the property before the 8th of August, 1930?

The CHAIRMAN: He just told me he had not negotiated at all; that Mr. Décary negotiated. He had nothing to do with it.

Mr. MACMILLAN: Sir Henry, about that time, I understand, from your statement, the directors offered you a bonus of \$100,000; is that right?

Sir HENRY THORNTON: I did not say it in exactly that way. I said some of the directors had approached me with the view of offering me a bonus of that character.

Mr. MACMILLAN: Who were the directors?

Sir HENRY THORNTON: Mr. Gardner was one.

Mr. MACMILLAN: Mr. Gill Gardner?

Sir HENRY THORNTON: Yes, J. Gill Gardner; and I think he spoke for some of the other directors with whom he had discussed the matter.

Mr. MACMILLAN: Was he the only one who spoke to you about it?

Sir HENRY THORNTON: I think that naturally going back so far one cannot always rely completely upon one's memory. I think, also, Mr. Décary knew of it. At any rate, Mr. Gardner discussed the matter with me.

Mr. MACMILLAN: The matter of the \$100,000 bonus?

Sir HENRY THORNTON: Precisely.

Mr. MACMILLAN: So that in lieu of that you refused the overture in connection with the bonus of \$100,000?

Sir HENRY THORNTON: As I tried to explain in my statement—

Mr. MACMILLAN: Because you felt it would not be fair to the officers?

Sir HENRY THORNTON: I gave my reasons in my statement.

Mr. MACMILLAN: Is not that what you said?

Sir HENRY THORNTON: Yes, precisely.

Mr. MACMILLAN: It was in September, 1929, that the resolution you referred to in regard to the house was passed apparently. Then, we go along and nothing is done. The bonus is turned down, and nothing is done at all until two days or three days after the last election, then they buy the house; is that so?

The CHAIRMAN: Ten days.

Sir HENRY THORNTON: That is correct; although negotiations with respect to the acquisition of the house had been in progress for some little time.

Mr. MACMILLAN: Did you know about the negotiations?

Sir HENRY THORNTON: Oh, yes.

Mr. MACMILLAN: Did you know that Mr. Décary was buying the house?

Sir HENRY THORNTON: Oh, yes. You remember that the original proposal was that the company should buy the house. Subsequently, after discussion, it was thought unwise or at least preferable the company should rent a house for a certain period in lieu of buying a house at that time, and when that conclusion—

Mr. MACMILLAN: Was there any other agreement that you know of in reference to the house other than the lease undertaken by the Canadian National Railways and Mr.—

Sir HENRY THORNTON: I know of no agreements with respect to the house except those that have already been presented to the committee.

Mr. MACMILLAN: The only agreement you know of is between—the rental agreement between the Canadian National Railways and Mr. Séguin; that is the only agreement you know of?

Sir HENRY THORNTON: That is the only agreement I know of, except what may be an implied agreement in the various resolutions that have been passed.

The CHAIRMAN: Sir Henry, the negotiations were all verbal except the lease, were they not?

Sir HENRY THORNTON: The situation there was this: After the original resolution was passed on September 17, 1929, I was asked to see what kind of a house could be procured. I entered into negotiations with the owner of the house.

Mr. MACMILLAN: You entered into negotiations?

Sir HENRY THORNTON: Yes, because it was thought better for me to conduct the negotiations and secure an option from the owner rather than the company.

Mr. MACMILLAN: Do you mean by the company, Mr. Decary's company?

Sir HENRY THORNTON: I mean either the Canadian National Railways or anybody who would be connected with the Canadian National Railways or associated with it in any way by inference or otherwise.

The CHAIRMAN: Sir Henry, then you went to work and leased a house from a member of your own board of directors who made the profit and who was occupying the position of trustee?

Mr. POWER: There is nothing shown of his making a profit.

The CHAIRMAN: Yes, 2 per cent on the loan.

Mr. POWER: That is amortization.

The CHAIRMAN: To whom does the profit accrue?

Sir HENRY THORNTON: I might explain that in this way—

The CHAIRMAN: I do not need any explanation on that part. There was a purchase made on the part of Mr. Decary.

Mr. MACMILLAN: I want to proceed a bit.

Mr. POWER: I think we ought to go into it more fully.

The CHAIRMAN: I am quite agreeable.

Mr. POWER: Let us ask Sir Henry to explain this 2 per cent if he can. That is of more importance than Mr. MacMillan's question.

Mr. GEARY: I suggest that we get from this witness what he has to tell us and then ask Sir Henry.

Mr. MACMILLAN: Have I the floor?

The CHAIRMAN: Yes, you have.

Mr. MACMILLAN: You learned gentleman please refrain from interrupting.

Mr. POWER: I have as much right to talk on this committee as anybody and I propose to exercise it. The Chairman makes a statement about a man who holds a high position in Montreal. I do not know him. I do not suppose I would know Mr. Décary if I saw him on the street. I think before going any further that we ought to inquire into that. The Chairman evidently thinks he has been guilty in a certain purchase of a house.

The CHAIRMAN: What else do you call it?

Mr. POWER: That is a pretty broad statement to make respecting a man of Mr. Décary's standing. I think we have been making a lot of loose statements in this committee. I am proposing that Mr. Décary should come here.

Mr. MACMILLAN: I think it would be advisable to have a royal commission examine into this matter.

Mr. POWER: You have a royal commission examining everything in connection with the Canadian National Railways, and that is a lot better than a lot of snooping down around the Canadian National railway offices.

Mr. MACMILLAN: The question I was going to ask Sir Henry was: The position of the shareholders of the Canadian National Railways, the Canadian public, is simply this that to-day; I presume, you, Sir Henry, are living in a house rent free that cost \$185,000, and at the end of ten years we have paid for the house and Mr. Decary or someone else owns it, is that it?

Sir HENRY THORNTON: No, that is not quite the position, although in making any statement with respect to that aspect of it personally I think we would get it much better from Mr. Decary than from myself, because after I had secured the option or a substantial option on that house from the owner and turned the transaction for completion over to Mr. Decary, I have no personal knowledge of what went on between the Montreal Trust or the Royal Trust or anyone else. I was west. I left, I think, about the middle of June, the year in which the transaction was completed, 1930, and went west. I did not get back until early in August. Anything I would say to you or tell you in respect to that transaction is simply what I have heard second-hand; and if you want direct information you will have to go to the person who directly carried out the transaction; which is to say, Mr. Décary. Now, I will tell you what I know—at least what I have been told as to the transaction, and I have no reason to doubt that when it came to the purchase of this property, Mr. Décary negotiated alone with the Montreal Trust Company for \$185,000; and they presumably said to him, Well, the usual arrangement, when making a purchase of this sort, is to pay down 25 or 50 per cent in cash of the value of the property to be purchased. You are coming to us and asking us to lend the full value of the property. Now, it may appreciate or it may depreciate.—

Q. \$10,000 more than the full value?—A. I am speaking of \$185,000, the value of the property plus the furniture.

Q. The furniture which in ten years would be worn out?—A. I daresay we will always find furniture in our houses which is serviceable after ten years, but, however,—

Q. Let me ask you this?—A. I am trying to make a statement.

Mr. POWER: Sir Henry is trying to make a statement.

Mr. MACMILLAN: I do not want to speak.

Mr. POWER: Well don't speak.

Sir HENRY THORNTON: They said, Well, this is a somewhat unusual arrangement for the reason that nothing is being paid on the purchase price of this property to be acquired, and, as I stated a minute ago, it may appreciate or it may depreciate; at any rate, as a trust company, as a banking institution lending this money, we are entitled to some protection for the capital that is invested, in lieu of part payment down in cash of the purchase price of the property. So presumably they said to Mr. Décary, we will lend you on this property \$185,000 at $6\frac{1}{2}$ per cent interest, but we will have to ask that for the protection of our property it be depreciated at the rate of 2 per cent per annum,—

The CHAIRMAN: Are you giving evidence of what you know yourself?

Sir HENRY THORNTON: I prefaced my remarks,—

The CHAIRMAN: This is quite a different thing, and I suggest Sir Henry confine himself to facts of which he has any personal knowledge.

Mr. POWER: Sir Henry comes here every day and we ask him questions about the Canadian National Railways,—

The CHAIRMAN: About which he knows.

Mr. POWER: About which he knows through his officials. He cannot have personal knowledge of all the things of which we ask him.

The CHAIRMAN: But this is a little different, and I suggest that he confine himself to the facts of which he has personal knowledge.

Mr. POWER: Do you not want the facts, or do you want to have it get out to the papers without any explanation?

The CHAIRMAN: That is quite uncalled for.

Mr. POWER: Not more uncalled for than lots of things the Chairman has said since we started.

The CHAIRMAN: I think he is entitled to give us the facts of which he has personal knowledge.

Mr. POWER: He has the same personal knowledge as in regard to things of which he has already given us information.

Sir HENRY THORNTON: I prefaced my remarks by the statement that the facts of which I was going to speak were not of first-hand knowledge. If you want me to proceed, I will. If you do not, I will not proceed.

Mr. BEAUBIEN: The Chairman is not running the committee. He is only the Chairman of the committee.

The CHAIRMAN: That is uncalled for.

Mr. POWER: Not any more uncalled for than the other remarks which have been made. You are supposed to be Chairman to direct the committee.

Sir HENRY THORNTON: May I ask if you want me to go or to stop?

The CHAIRMAN: I think Sir Henry ought to make a statement of facts within his knowledge. If he does not know he ought not to give us hearsay on an important matter like this.

Sir HENRY THORNTON: You will agree, Mr. Chairman, that when I started my remarks I said it was entirely second-hand information; and the only direct first-hand information which could be had in this transaction must come from Mr. Décary.

The CHAIRMAN: Very well. I think we had better get Mr. Décary's evidence. I think we must have him here.

Sir HENRY THORNTON: I would ask the committee's personal indulgence. I think there have been personal statements here made which considerably concern me, and which I feel ought to be definitely cleared up, and I want the fullest and most complete investigation of this whole transaction. I want all witnesses called who can speak of first-hand knowledge in connection with it.

The CHAIRMAN: If you have any witness you want called, he will be called. The committee will give you that undertaking right now.

Sir HENRY THORNTON: Then I would ask—I think Major Power has already suggested it—that Mr. Décary be called.

The CHAIRMAN: We will have him here to-morrow.

Mr. POWER: Is there anybody else you want called?

Sir HENRY THORNTON: The only person who could give direct personal knowledge of the transaction is Mr. Décary.

By the Chairman:

Q. Mr. Seguin, with whom did you deal in the trust company?—A. I did not deal directly with them.

Q. Who handed you the cheque?—A. It was not handed to me because I was away at the time. It was handed over to Mr. Décary, and when I came back from the trip for my holidays, the cheque had been deposited in the bank and I went to the bank and endorsed it.

The CHAIRMAN: I think it would be wise to have somebody from the Montreal Trust, Mr. Donaldson or Mr. Greene—one or the other of those.

Q. I would like to ask you this question. On the 27th a resolution was read into our minutes, dated June 16, 1930:—

The Executive Committee of the Directors on June 16, 1930, passed the following resolution:—

Resolved that the company rent from George H. Seguin, for a term of ten (10) years, commencing on the first day of August, Nineteen hundred and thirty (1930) and expiring on the thirty-first day of July, Nineteen hundred and forty (1940), that certain house bearing No. 1415 Pine Avenue West, in the City of Montreal, for an annual rental of Fifteen Thousand Seven Hundred and Twenty-five dollars, payable quarterly.

and so on. At that time you did own 1415 Pine Avenue?—A. On what date was that?

Q. On the 16th June, 1930.—A. Yes.

Q. You owned it at that time?—A. Not on the 16th June—I thought you said August.

Q. In June you did not own it?—A. No.

Q. Did you know anything about the transaction of the 16th June, 1930?—A. No.

Q. You had never heard of it?—A. No.

By Mr. Geary:

Q. You did not have any knowledge of it then?—A. No.

By Mr. MacMillan:

Q. And you did not have any house to rent at that time?

The CHAIRMAN: No, he has said that.

By Mr. MacMillan:

Q. Might I ask, Mr. Séguin, is there any adjacent land which was purchased together with the house, which was included in that deal? Did it include land other than that upon which the house is situate?—A. No, I do not think so.

Sir HENRY THORNTON: Would you like me to answer that?

By Mr. MacMillan:

Q. The house is now an integral part of the purchase?—A. Yes.

Sir HENRY THORNTON: There were approximately 22,000 square feet, and that is still part of the property. It may be a little more than 22,000 square feet, but that is roughly what I recall the area to be.

By the Chairman:

Q. What was the assessed value in 1930, Mr. Séguin?—A. I do not know, sir.

Q. Did you make a search to ascertain?—A. No.

Q. Did you have an appraisal made?—A. No, sir.

Q. An appraisal was never made by anybody?—A. Not that I know of.

Q. Did the trust company have an appraisal made?—A. I do not know.

Q. What is the law in Quebec as to trust companies loaning on real estate mortgages? Can they loan up to 100 per cent of the value?—A. I do not know.

Q. Have you any knowledge of the law down east? In New Brunswick it is two-thirds.

Mr. MACMILLAN: It is 60 per cent, I think. Mr. Bell says it is 60 per cent, roughly.

By the Chairman:

Q. Trustees' funds, is it 60 per cent?—A. Yes, sir.

Q. What is the assessed value?—A. I do not know.

Mr. McGIBBON: \$60,000—I have the figures.

By the Chairman:

Q. You had no appraisal made?—A. No, sir.

Q. As a matter of fact, you were not interested at all personally except as the channel through which the transaction passed?—A. No, sir.

Q. And none of the property is accruing to you?—A. No, sir.

Q. It all goes to Mr. Décary?—A. Yes.

Mr. POWER: I would add all, if any. I am not interested in whether he made any profit on it or not. I think we had better ask Mr. Décary about it.

The CHAIRMAN: Yes. There is \$37,000 going to somebody, on paper at all events.

Mr. POWER: Perhaps Mr. Décary can clear that up.

By Mr. Geary:

Q. Mr. Seguin, when did you first hear of this transaction?—A. The 1st day of August, 1930—I do not know whether it was the 1st or the 2nd. I remember I went away around the 3rd or 4th, and I signed the deed and contract before going away on my holidays. They were completed, I believe, on the 8th, a while afterwards.

Q. There was nothing in the way of negotiating with you—you were just asked to take this over?—A. Yes.

Q. And you signed papers and went away and then the transaction was closed later?—A. Yes.

Q. May I ask you, did you endorse the cheque at all?—A. Yes, sir.

Q. Before you went away?—A. No, not before I went away. The cheque came after I went away, and when I came back I went to the bank and endorsed it.

Q. When did you come back?—A. I was away about two weeks. I know it was about the beginning of August I went away.

Q. And then, in consequence of something that was said to you, you went and got a cheque from the Montreal Trust Company?—A. The cheque was in the bank when I came back.

Q. And you endorsed the cheque?—A. I endorsed the cheque.

By the Chairman:

Q. At whose request?—A. Mr. Décary's request.

Q. When did you sign the mortgage?—A. All the papers were signed at the same time, around the 3rd or 4th August; I am not sure of the date.

Q. The lease bears date the 8th August?—A. It was completed on the 8th.

Q. But you need not necessarily have signed it on that day?—A. Oh, no.

Q. And you had previously signed the mortgage before you went away?—
A. The mortgage and the lease.

The CHAIRMAN: Any other questions to be asked of Mr. Séguin?

Mr. POWER: What is the use? The chairman won't let us ask a question.

The CHAIRMAN: I am inviting you to ask questions.

Mr. DUFF: I think you ought to give the members an opportunity to ask questions. You have taken the questions out of our mouths. You stopped the Colonel here asking questions and took the words out of his mouth.

The CHAIRMAN: He is not complaining. Why are you?

Mr. POWER: He is too indignant for utterance.

The CHAIRMAN: If he is, I will apologize to him.

By Mr. Geary:

Q. Is there any trust agreement? Do you hold this under any signed agreement as to what you are to do with the proceeds?—A. No.

Q. And when the cheque comes in for rent, does it come to you?—A. It comes to me and I endorse it.

Q. And you simply turn it over?—A. Yes.

By the Chairman:

Q. To whom do you turn it over?—A. To the Montreal Trust.

The CHAIRMAN: Any other questions to ask this witness?

Mr. POWER: No.

Mr. DUFF: We are content.

By Mr. Geary:

Q. May I ask just one more question, Mr. Séguin. Under what trust do you hold this? How do you know what trust you are holding this under?—A. I was just asked by Mr. Décary to buy the property, sign the papers and turn all the money over to the Montreal Trust.

Q. And should anything unfortunately happen to you, your estate will get what is coming?—A. I suppose Mr. Décary will protect me.

By Mr. McGibbon:

Q. When you rented this to the Canadian National Railways, it included taxes, interest and fire insurance?—A. I know the lease included taxes. I do not know about interest.

The CHAIRMAN: That is in the record now. It is all covered by the lease.

By Mr. MacMillan:

Q. Did you ever become a party to a deal similar to this before?—A. Oh, many times.

Q. That is a usual practice, is it?—A. Yes, sir.

Mr. POWER: Usual practice of notaries?—A. Yes.

By the Chairman:

Q. But you acted without any written trust?—A. Yes, sir.

Q. The deed contains a provision that the lessee will execute all documents of any nature whatever in the leased premises pay the fire insurance premiums—there is no question about it that the lessee has to pay that?—A. No.

Q. The lease further contains this provision:—

To lease and abandon the hereby leased premises at the expiration of the present lease in as good order and condition as they were at the time the lessee took possession thereof.

A. Yes, sir.

Q. Will you obtain and file with the committee a copy of the deed of sale to you?—A. Yes.

The CHAIRMAN: If there is any bill in relation to it, send it in to the secretary.

Any questions, gentlemen?

Mr. BELL: Is the lease going to be in the record?

The CHAIRMAN: The lease is in the record now, I think.

Are there any more questions to be asked of this witness? You are discharged for the moment, Mr. Séguin. Do not leave until later.

Mr. Décary is to be called for to-morrow, if possible, and some officer of the Montreal Trust Company. Is that the will of the committee?

Mr. MACMILLAN: Sir Henry expressed the wish that Mr. Décary be called.

Sir HENRY THORNTON: It was not my original suggestion. I want the fullest investigation, as long as my statement, which was not first-hand information, is not accepted; that someone who knows the facts first-hand be called.

Mr. POWER: I will move that Mr. Décary be heard.

The CHAIRMAN: Will you include that some officer of the Montreal Trust be called?

Mr. POWER: I am not interested in them. Certain accusations have been made against Mr. Décary and I think he should be heard.

Hon. Mr. CHAPLIN: I will move that some representative of the Montreal Trust Company be called.

The CHAIRMAN: And Mr. Décary. Is that the will of the committee?
Carried.

Mr. GEARY: Some gentleman who may be able to give us all the details—it may need two or three of them.

Mr. MCGIBBON: I might suggest that we have the one who signed the mortgage.

The CHAIRMAN: Mr. Séguin, do you know what officer of the Montreal Trust signed the mortgage?

Mr. SÉGUIN: No, I do not, sir.

The CHAIRMAN: I will call them by telephone myself.

Mr. BELL: It might be well to start at the inception of the house deal. Where did this deal originate from? From whose mind? Was it the Board of Directors through whom it was approached to Sir Henry? And then find out what passed, with Mr. Décary, to consummate the deal. To-day Sir Henry started to give an explanation of what he knew regarding the deal, but the committee stopped him.

The CHAIRMAN: I did not stop him in regard to what he knew himself.

Mr. BELL: I understood it was at the point where he was interviewing the owner of the property, and when it was decided to stop his evidence on that. I want to be fair.

The CHAIRMAN: Sir Henry, according to the memorandum which you submitted the other day, the first date given is the 17th September, 1929, when the Executive Committee of the Board of Directors of the Canadian National Railways passed a resolution resolving that the Executive Committee should undertake to lease a suitable and properly equipped residence for the use of the Chairman. Now, the first initiative was that resolution passed, and what was the beginning of that transaction, so far as you know?

Sir HENRY THORNTON: I think that the statement which you have read there outlines the situation pretty generally. I remind you that I had been approached with the suggestion that a bonus should be paid, and I gave the reasons why I rejected that. Just exactly how the proposals to rent a house came up, I am not sure that I can definitely recall, because that was nearly three years ago and a good many things have passed through my mind in the meantime. I say that not for the purpose of passing the buck or avoiding the

issue or anything like that, but it is quite impossible for me to keep in my mind two and a half or three years all the details of certain transactions; but when I felt that I preferred not to accept that bonus,—

Mr. MACMILLAN: Might I interject a question? When was it that the bonus was first offered to you?

Sir HENRY THORNTON: The first conversation which I recall on that subject was with Mr. J. Gill Gardner, who had had, I understood, some conversation with some of the other directors upon the subject and he was asked to discuss the matter with me. That is my recollection.

Mr. MACMILLAN: That was in 1928?

Sir HENRY THORNTON: It was probably early in 1929.

Mr. MACMILLAN: You said the other day 1928.

Sir HENRY THORNTON: Well, it may have been 1928.

Mr. MACMILLAN: That they decided to vote you a bonus of \$100,000?

Sir HENRY THORNTON: That may be right. Then there was some discussion as to what, if anything, might be done. I do not recall just how or who made the suggestion with respect to purchasing or provision of a house; but at any rate when that subject came up I said, Well, that seems a reasonable thing to do. I have got to carry out certain functions here in Montreal. There are always people of more or less importance coming to town, that something has to be done for. Practically speaking, from the point of view of dealing with matters of this sort, I am more or less single-handed and alone. Our principal competitor can always call in to his assistance in matters of that sort three or four of their directors and others who have important houses and facilities which they can use in the interests of the company. And, having regard to the general situation, I think it would be to the advantage of the company if I were in a position to carry out responsibilities of that character. And there was some further informal discussion with the directors; and finally the proposal was reached that the company should provide me with a house to carry out the responsibilities which I have just outlined. I said: That is all right, that seems to be reasonable. I won't take any money, but if you want to put at my disposal a house which can be used in the interests of the company, I have no objection to it at all and I think that is a perfectly sound thing to do.

That is the way the thing originated, and that is the genesis of the whole thing. And, as I have pointed out in my statement, instead of the house being an asset to me it has turned out a considerable liability, because I have spent a very large sum on it which I could ill afford to spend at the time; but, in view of the financial position which at that time was confronting the company, I said: Well, you have already given this house, you have already rented it and you are committed to the lease. The lease involved the equipment of the house in proper shape for occupancy, but I will waive that and I will undertake to bear that expense myself; and I did. Now, the upshot,—

Mr. MACMILLAN: You never asked the directors or any of the executive committee to pay any part of the bills for the furnishing of the house?

Sir HENRY THORNTON: There was some discussion about it, but I finally felt I was not going to ask for it.

Mr. MACMILLAN: I say you never did, Sir Henry? You never approached them?

Sir HENRY THORNTON: There was some discussion based on these lines which did provide that the house was to be fully equipped and ready for occupancy, and that was a definite right on which I could stand—

Mr. MACMILLAN: I asked you if you ever personally approached any of the directors or officials of the company, or the Government, with a request to pay for the furnishings of the house, the \$50,000 liability of which you are talking.

Sir HENRY THORNTON: I cannot definitely answer that question Yes or No for this reason, that the resolutions did provide that certain things be done.

Mr. MACMILLAN: I know, but—

Sir HENRY THORNTON: Unless you are going to let me make my statement in my own way, I cannot definitely make any statement. There is nothing for me to conceal about it, but I cannot give the facts by simply answering Yes or No in a categorical form. There was some discussion, and I did bring to the attention of the directors the fact that under these resolutions the company was obligated, as I understood it, to perform certain things. The discussion was of an amiable and friendly character. And finally, as I said a moment ago, in view of the situation, after representing to the directors that that was an obligation on the part of the company, I said, all right, now, we will wash that out and I will undertake the responsibility myself.

Mr. MCGIBBON: Was not the Government asked later to pay that bill?

Sir HENRY THORNTON: No. I had some discussion with the present Minister with respect to the whole thing, and it was only an informal discussion. Mind you, I have a great many discussions with the Minister that are entirely informal, and they must be so if we are to get anywhere with many of the problems which present themselves on the Railway.

Mr. MCGIBBON: I was not referring to you, but I said by anybody in your behalf?

Sir HENRY THORNTON: I do not know at all as to that. The bare facts are just exactly as I have put them. The company was under a certain obligation, and finally, after full consideration, I said that I would abandon any rights that I might have in the matter with respect to equipment and furnishings, and would pay that myself.

The CHAIRMAN: The fact is that whether you asked them to carry out the transaction and equip the house, you did do that yourself?

Sir HENRY THORNTON: Yes, sir.

Mr. MACMILLAN: Are you through with your statement?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: I would like to ask you whether you personally approached the Government or any of the directors of the National Railway with regard to payment for the furnishings of the house.

Sir HENRY THORNTON: I do not know what any of the directors may have done. I cannot speak as to that; but I did discuss the question with the present Minister of Railways shortly after his appointment; and I think his feeling was that in view of the situation,—it was purely an informal conversation, but in view of the situation that was rather a doubtful proposition, in his mind, for the Government to accept; and in view of that and in view of the general situation, I pursued the course which I have outlined.

Hon. Mr. MANION: Since I have been brought into this, may I just say, in confirmation of what Sir Henry has said. Yes, Sir Henry spoke to me about the Government permitting the late directors, who were just about to retire, to do some of the furnishings of the house; and I refused.

Sir HENRY THORNTON: That is exactly it. I talked to the Minister about it. I very often talk to the Minister about a whole lot of things, but more in a friendly way than in our respective positions. I suppose that would apply to a good many of the things, would it not?

Hon. Mr. MANION: Yes, it was absolutely in a friendly way. I may say quite frankly that Sir Henry told me about this house situation when we first got into power. We had only been in power a short time and I had been a

Minister for but a short time. Some of the details I did not know. We had nothing whatever to do with the house. It was done under the late directorate, and in no shape, manner or form had we anything to do with it; and for that very reason I refused to have anything to do with it in any shape or form.

Sir HENRY THORNTON: That is correct.

Mr. MACMILLAN: Is it fair to assume that had the Government not changed and had the late Board of Directors continued they would have paid the bills and furnished the house?

The CHAIRMAN: That is a matter of inference.

Sir HENRY THORNTON: Your guess is as good as mine. I can only say, as I look back upon the situation, I would have done as I did anyway.

The CHAIRMAN: You are not called upon to answer that.

I would like to call your attention to another phase. The former resolution relating to renting from Mr. Seguin is entered in the minutes as of June 16, 1930. As a matter of fact, while the resolution may have been prepared and considered on the 16th of June, 1930, is it not true that the resolution actually did not get approval until the 7th day of August, 1930, because I find in the minutes an extract which has been provided, under date August 7, 1930:

It was decided that the approval of the Executive Committee given on June 16, 1930, to the lease to the Company of a house (No. 1415 Pine Avenue West) as a residence for the President, as approved by the Directors September 23, 1929, be now entered in the minutes of the said meeting of June 16th, 1930.

If that was done on the 16th June, 1930, why was it not entered in the minutes of that day and held off until the 7th August?

Sir HENRY THORNTON: I think it was only a day or so after June 16 I went west on the annual trip which I take to the west; and I returned, it must have been something like the 2nd or 3rd of August, as I recall it; at any rate it was very shortly after the election because I remembered passing through Port Arthur and Fort William shortly after the election. I am not sure if I met Dr. Manion at that time, but at the same time I had a fairly good idea that possibly he might be Minister of Railways. I remember passing through Port Arthur and the head of the lakes at that time, which was prior to his appointment, which I think was August 7 or 8; so that that fixes in my mind the date when I got back, which was somewhere around the 2nd or 3rd of August. Meanwhile I had left the completion of the whole transaction in the hands of the Executive Committee; and when I got back I found that there had been some misunderstanding—just what it was I do not know; Mr. Décary can tell you better than I, because I was not in Montreal. For some reason, that resolution of June 16 had not been put upon the minutes, and as soon as convenient and possible thereafter the resolution of August 7 was passed.

The CHAIRMAN: As a matter of fact your answer is that you do not know why it was not entered?

Sir HENRY THORNTON: No. And in view of this situation, I have not talked to anybody or tried to influence anybody's opinion because I want witnesses to come here to say what they think and what they know.

The CHAIRMAN: You do not know, as a matter of fact, why it was not entered up on the 16th June?

Mr. BELL: Mr. Décary, first as a member of the committee and then as a member of the board, and also as a private individual. In your dealings with Mr. Décary, in what capacity were you dealing with him or were you dealing with him in different capacities? I mean, when you had spoken about this house

to Mr. Décary, was it as a member of the Executive Committee or as a member of the Board, or was it personal friendship?

Sir HENRY THORNTON: I should say it was probably a little of both. Mr. Décary was a member of the Executive Committee and he was a member of the Board. He had undertaken to carry out and bring to a consummation the details of this arrangement. In that respect he spoke to me about it, although he did not speak to me about it between June 16 and August 7, because I was away. It is pretty difficult to answer that question of yours categorically; but I have known Mr. Décary ever since he was appointed a member of the Board, which was in the latter part of 1922, and have been in contact with him as a member of the Board since that time; and it is not unlikely I may have had some conversation with him in a friendly way.

Mr. BELL: The point I am trying to get at is, was Mr. Décary acting for the Board or the Executive Committee of the Board, or was he acting for himself personally when he negotiated this lease?

Sir HENRY THORNTON: That is something which you had better ask him when he comes.

Mr. BELL: How did you understand it?

Sir HENRY THORNTON: My understanding was that he was acting as the appointed agent of the company, a member of the Executive Committee, to carry out a transaction which the committee wanted to carry out.

The CHAIRMAN: Did you understand that Mr. Décary was going to buy this house himself and lease it to the National Railways?

Sir HENRY THORNTON: No, I did not understand that.

The CHAIRMAN: Had you known that, would you have allowed the transaction to go through?

Sir HENRY THORNTON: Now you are getting into a legal question.

The CHAIRMAN: No, I am getting into a question of propriety—that is the essence of that question.

Sir HENRY THORNTON: That is a question which I do not know that I could answer offhand.

The CHAIRMAN: Perhaps you do not wish to answer it; if you do not, let it go.

Sir HENRY THORNTON: No, I do not think anybody who has been on this committee in the last nine years can say I have not been frank with the committee, because I always have been.

The CHAIRMAN: No, but you may not wish to answer a question like that, because I am really asking you to sit in judgment on Mr. Décary.

Mr. POWER: Until such time as we show Mr. Décary's conduct is improper, we should not say that.

The CHAIRMAN: On the language, in the extreme it is improper, on the accepted facts.

Mr. POWER: They will not be accepted facts as far as I am concerned, until we hear from Mr. Décary, no matter how loudly they scream.

Sir HENRY THORNTON: Much would depend, and in fact everything would depend upon whether any profit was made in the transaction or not. If Mr. Décary or any other director acted in the interests of the company, as supposed at the time, and no profit accrued to him, I should say,—not looking at it from a legal point of view but in the point of view of common sense, that he would do nothing reprehensible. It would all turn upon whether he had made money out of it.

The CHAIRMAN: To whom does the 2 per cent difference between the 6½ per cent and the 8 per cent paid to the Montreal Trust Company go?

Sir HENRY THORNTON: I can only answer it from second-hand information. I cannot answer it from personal knowledge, but what I believe to be the fact.

The CHAIRMAN: Answer it.

Sir HENRY THORNTON: I understand that the 2 per cent depreciation goes to the Montreal Trust Company.

The CHAIRMAN: In reduction of the principal sum owed?

Sir HENRY THORNTON: And I might add in that connection, since you have opened the question, I hold a letter from Mr. Décary, addressed to me as President of the Canadian National Railways in my official capacity, which gives the company the right to purchase that property at the expiration of the lease at its amortized value.

The CHAIRMAN: Why was that not put into the lease?

Sir HENRY THORNTON: My recollection is,—I am again speaking from memory,—that that was not put in the lease and I discovered it afterwards and said that was something that had to be done.

Hon. Mr. CHAPLIN: I move that that letter be handed in to the committee by Sir Henry Thornton and be added to the record.

Sir HENRY THORNTON: That is my recollection of it, that I said to the company that that would have to be added; and that was done.

The CHAIRMAN: That was the intention, was it not, that the company should buy the house, but the time was not opportune?

Sir HENRY THORNTON: No, I do not understand it in that way.

Mr. DUFF: It was in the nature of an option.

Sir HENRY THORNTON: If you pursue the question further, I might say I had hopes; but my hopes were not realized, as many of your hopes have not been realized with respect to your financial position, that at the end of the ten years I might be able to scrape together enough money to buy the property myself. But when the depression hit us in 1929 those hopes went west.

The CHAIRMAN: When was that letter written, Sir Henry?

Sir HENRY THORNTON: I will have to get the letter.

The CHAIRMAN: Was the then Minister of Railways at any time between September, 1929, and the 8th day of August, 1930, consulted about the leasing of this house, and were the people of Canada informed that the company was leasing a house for the President of the National Railways?

Sir HENRY THORNTON: To answer your first question, the people of Canada were not informed of what the directors proposed to do, for the same reason that there are a great many things which the Canadian National Railways do and are obliged to do which it does not call a Soviet meeting of the whole of the people of Canada to tell them what they are going to do.

Hon. Mr. CHAPLIN: Mr. Dunning is coming to this meeting, and I would prefer to ask Mr. Dunning rather than Mr. Thornton that question.

The CHAIRMAN: I am speaking of his knowledge.

Sir HENRY THORNTON: To my recollection the minutes of the meeting were sent to the Minister.

The CHAIRMAN: Are you wanting Mr. Dunning called?

Hon. Mr. CHAPLIN: I asked the other day that he should be called. And I asked the other day for an expense sheet of Mr. J. Gill Gardner. I do not want to go over the whole category, and I do not want to give too much work, but I would like it for the last two years that he was with the road. I would like to look over his expense sheets.

The CHAIRMAN: There is no objection to that; and Mr. Dunning might be asked to come here to-morrow.

Mr. GEARY: Might I ask Sir Henry how far he was connected with the selection of this house personally.

Sir HENRY THORNTON: Yes, I will answer that gladly. I had been living in the house for some time, the owner of the house being abroad; and he had indicated that he proposed to return to Montreal and resume residence in the house; and he was asked, I believe, to put a price upon the house and he named what I thought was an excessive price.

Mr. GEARY: What date was that?

Sir HENRY THORNTON: That must have been somewhere in 1929, prior to September 23; probably about the middle of 1929. He named a price which I felt could not be paid and was unjustifiable. So I proceeded to try to find something else. In the meantime, as I recall it, either he re-opened negotiations with me or I did with him and it was decided by the Executive Committee that it was preferable for me to carry on the negotiations with the owner of the house up to the time that we did or did not secure a definite offer or option from him; and that I proceeded to do, and he finally named a price which has been paid for the property; and when that option had been secured, or what substantially amounted to an option, then I left the entire matter in the hands of the Executive Committee to settle the details. I simply turned that over.

The CHAIRMAN: Sir Henry, who was the owner under whom you were a tenant?

Sir HENRY THORNTON: Mr. Alfred Beardmore.

The CHAIRMAN: What price did he ask?

Sir HENRY THORNTON: I think his original price was about \$225,000 or \$250,000.

The CHAIRMAN: And what annual rental did you pay as a tenant?

Sir HENRY THORNTON: Originally \$500 a month, which I substantially increased to \$600; and that I may say was a distress rental. He told me, when I first rented the house from him, that the house had been closed for some time and that it was depreciating very much more rapidly empty than rented, and that if he could get a good tenant for the house he would be prepared to rent it. And that was the way that rental was determined.

The CHAIRMAN: And what is the cost of the upkeep of the house, in addition to the rent, taxes, insurance and every other charge?

Sir HENRY THORNTON: I can tell you what the insurance is, but all repairs, water rates and that sort of thing I paid myself and it does not enter into it.

The CHAIRMAN: I mean that the company pays under the lease.

Sir HENRY THORNTON: The company pays no water rent.

The CHAIRMAN: Can we have a statement of what the carrying charges are in addition to the rent?

Sir HENRY THORNTON: Yes, certainly.

Mr. POWER: Before leasing this property, was it valued?

Sir HENRY THORNTON: Yes. I did not get any formal valuation on it, but I discussed the value with Mr. Décary, who knows a good deal about real estate in the city of Montreal, and I also discussed the matter with another friend of mine, who is in the real estate business, and got his general view of what the value of the property was or might be.

The CHAIRMAN: Did you ever ascertain what the assessed value was?

Sir HENRY THORNTON: I did not myself, no.

Mr. GEARY: Were you negotiating then with the owner before the resolution authorizing the purchase was passed?

Sir HENRY THORNTON: Yes, I was, Colonel.

Mr. GEARY: You were on your own negotiating for the purchase of this house before it was taken up by the Board of Directors at all.

Sir HENRY THORNTON: I think it probably overlapped, the point of view being that I, as a tenant, could probably negotiate a more satisfactory price than if the company came out and said that they were going to buy it.

Mr. MACMILLAN: At the time you rented the house from Mr. Beardmore, who paid the taxes and insurance?

Sir HENRY THORNTON: The owner.

Mr. GEARY: It was not Mr. Albert Beardmore?

Sir HENRY THORNTON: I am wrong about that. It was Fred Beardmore.

The CHAIRMAN: Instead of Albert.

Sir HENRY THORNTON: Yes. Let the record be corrected.

Mr. BELL: Can you recall, at the time when they were speaking about giving you this bonus by the Board of Directors and at the time of the purchase of this house, was your contract then a renewal contract being negotiated or was it signed?

Sir HENRY THORNTON: It was in course of discussion.

Mr. BELL: Can you remember how many months afterwards the renewal was signed?

Sir HENRY THORNTON: I think that contract was dated some time in October; anyway, in the autumn of 1929.

Mr. BELL: And this was in August or September?

Sir HENRY THORNTON: It was in the latter part of 1929.

The CHAIRMAN: Sir Henry has two contracts, one with the Canadian National Railway Company, dated the 23rd September, 1929, which is a week after the first resolution was passed by the Board of Directors relating to the house. He has a second contract with the Government of Canada, dated the 25th October, 1929.

Mr. GEARY: When you bring the Montreal Trust here, I would like to know what security they got.

The CHAIRMAN: The period of engagement is for five years from the 4th October, 1928, which I presume is the date of the expiration of the previous contract. Is that right?

Sir HENRY THORNTON: I think you are right in that.

Hon. Mr. MANION: So that there was a term of eleven or twelve months during which there was no contract?

Sir HENRY THORNTON: Yes, and during that interim these various things were discussed.

Mr. MCGIBBON: Was not the contract of 1929 made retroactive for about a year?

The CHAIRMAN: It dates back to 1928.

Mr. MACMILLAN: I suppose in addition, the additional salary which you were granted by the new contract would be retroactive too?

Sir HENRY THORNTON: I think that is probably right.

The CHAIRMAN: Yes, that is true.

Mr. BELL: There is no mention made in the new contract regarding the house.

Sir HENRY THORNTON: No.

Mr. BELL: Was there any reason why it should not be mentioned, in your opinion?

Sir HENRY THORNTON: In my opinion there was no reason why it should not have been mentioned at all; but the attitude of the Government at that time was that that was something which rested entirely within the powers of the Board of Directors to take such action as they wished.

Mr. MACMILLAN: When you say the attitude of the Government, was the matter ever brought before the Government?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: Before the House?

Sir HENRY THORNTON: I think, in fact I know that the Government of that day had knowledge of the transaction, and their position was that that is something which the Board has entire authority to deal with, and they can deal with it in any way that they think best serves the interests of the country.

The CHAIRMAN: I call the committee's attention to paragraph 3 of the agreement between the Government and Sir Henry Thornton, dated the 23rd October, 1929, which is in the record:—

Remuneration.—The remuneration of the Managing Head for the full and entire services to be performed, from time to time, and for the full period of employment under this agreement, shall be a fixed annual salary (irrespective of the magnitude or extent of the work or duties to be performed from time to time and without any extra fees or remuneration of any description) of \$75,000 per annum, payable monthly, but not in advance, less the annual remuneration payable monthly by the Canadian National Railway Company to and receivable by the Managing Head under the Company's Agreement of Engagement during the continuance of the said Agreement of Engagement. . . .

Mr. BELL: Could I ask the chairman this question,—I want to be fair to Sir Henry,—do you think in your opinion that the free rental of the house would be remuneration?

Sir HENRY THORNTON: Are you asking me that question?

Mr. BELL: I am asking the chairman that question.

The CHAIRMAN: That is a very obvious question.

Mr. POWER: We challenge the chairman's jurisdiction.

Mr. GEARY: We should know from the Montreal Trust Company what security they have. It seems a very strange transaction, unless they have some guarantee for repayment.

The CHAIRMAN: Is it not very apparent that they did it on the security of the lease? We will get somebody from the Trust Company.

Mr. GEARY: The only point is to be sure to have the proper officials.

The CHAIRMAN: I will try to do that and call them by telephone.

Mr. Bell's question is, was not the taking of the house extra remuneration in violation of that section of your contract?

Mr. BELL: I asked Sir Henry a few minutes ago if there was any mention made of a free house in his contract; and if there was no mention made of it, why did he not bring it to their attention at the time of the signing of the contract. And he said he thought it was unnecessary as this was a matter with which the Board was dealing.

The CHAIRMAN: I would call to your attention that the very same clause 3, headed "Remuneration" is in the agreement between the Railway Company and Sir Henry Thornton.

Mr. GRAY: There is no question that Mr. Bell is asking a legal question.

The CHAIRMAN: I think myself it is a legal question. It is a question of the construction of the contract.

Mr. GEARY: At all events it is for the committee and is not for the witness to decide.

The CHAIRMAN: Yes, I think so.

The other day Dr. Manion asked for a statement of the purchase of materials for certain years. Is that ready, Sir Henry?

Sir HENRY THORNTON: Yes.

Dr. Manion asked this question: A statement showing the total purchases made by the Canadian National Railways by years from 1923 to 1931.

This is the whole railway, giving you round figures: In 1923, \$142,000,000; in 1924, \$103,000,000; in 1925, \$80,400,000; in 1926, \$88,500,000; in 1927, \$115,300,000; in 1928, \$107,000,000; in 1929, \$132,700,000; in 1930, \$103,700,000; in 1931, \$70,800,000. That includes everything.

Hon. Mr. MANION: I remember, Sir Henry, you gave me altogether different figures, although in proportions they are about the same. You wrote me a letter apropos of nothing at the time, sent by you on May 14, 1931, and you say here,

As a matter of information, I give below a statement showing the value of material purchased from firms in Canada for use in Canada during the years 1923 to 1930.

And the figures are about the same proportion, and I suppose the difference is made up by the lines in the United States?

Sir HENRY THORNTON: Yes.

Hon. Mr. MANION: I would like to ask Mr. Vaughan these questions, in view of my statement the other day, how it comes that in 1929 the purchases were so much greater than any other year excepting 1923?

Mr. VAUGHAN: The purchases were covered to a large extent by our budget, which, of course, was approved by the Board of Directors and parliament. In 1930, I think, our earnings were about \$50,000,000 less than in 1929, and it was but prudent to reduce purchases as much as possible with such a drop in earnings.

Hon. Mr. MANION: In 1928 was your biggest earnings of all, and you bought \$107,000,000.

Mr. VAUGHAN: The difference was largely accounted for by the large amount of new equipment purchased in 1929, as compared with 1928.

The CHAIRMAN: I would like to ask Mr. Vaughan a question. Do the requests for the purchase of material and equipment emanate in your department or from other departments?

Mr. VAUGHAN: They emanate in other departments. The other departments have nothing to do with the buying. Their requisitions come to us and we do what is required. After that—We do the buying and they have nothing to do with it. We do not originate the purchases.

The CHAIRMAN: What formalities were gone through in those years? Does the department require equipment or material or supplies simply by making requisitions or does it get the O.K. of the management committee; what is the *modus operandi*?

Mr. VAUGHAN: It would be approved by the board of directors—for new equipment.

The CHAIRMAN: That would be largely a capital expenditure?

Mr. VAUGHAN: Yes. I said that capital expenditure was much more in 1929 than in any other year, which accounted for our large amount of purchases

and included in that the large amount of new equipment. The other materials which were bought for the improvement of the line were under the budget.

Hon. Mr. MANION: I understand that so far as the purchasing is concerned that we cannot find fault with that because you merely do the purchasing.

Mr. VAUGHAN: We do the buying and the requisition comes to us. When an article is to be purchased we see that it is bought on the best possible terms to the railway.

The CHAIRMAN: Now, following that up. When you get a requisition do you ever turn it back; have you any power to turn back requisitions?

Mr. VAUGHAN: Oh, yes, we have power to turn back requisitions if we think we have something in stock that can be substituted. Frequently we think an article is not needed and we take it up with the party who makes the requisition and ask them if they cannot get along without it.

Hon. Mr. MANION: I am dealing with the particular year of 1928, the earnings, and coming down to 1929, how is it that the purchases were so much in 1929, \$132,000,000 as opposed to \$107,000,000 in 1928, and as compared with \$70,000,000 last year that is 1931?

Mr. VAUGHAN: In 1928 we only purchased \$5,500,000 worth of new equipment; in 1929 we purchased \$28,600,000 of new equipment; in 1930 \$20,000,000. In 1930 we used about 1,000,000 tons less of fuel than in 1929, and that, when all the freight, duty and handling charges are added into it, took care of about \$5,000,000.

Hon. Mr. MANION: You used less fuel in 1928 than 1929?

Mr. VAUGHAN: No, in 1930. That accounted for perhaps \$5,000,000 of our smaller purchases in 1930 as compared with 1929. New equipment had something to do with it. We also bought less rails. It was quite apparent that our earnings were going to drop and so we bought less.

Sir HENRY THORNTON: The subject which relates to the purchase of new equipment is usually determined upon in the last month or so of the previous year and receives the sanction of the board and the government early in the year. So that early in 1929 when this budget was decided upon and involved a large amount of new equipment in rails, we did not, at that time, foresee the slump which set in as I recall it on or about August 1st or something of that sort, 1929. So that we were committed to the purchase of certain equipment early in 1929 which, had we foreseen the slump in the autumn of 1929 and the further slump in 1930 and 1931 might not have been bought.

Hon. Mr. MANION: That is correct. I do not question that. But you had not bought all of your supplies in advance. You did not purchase all your supplies in the beginning of 1929 for the year 1929; you purchased them throughout the year—a great deal of them?

Sir HENRY THORNTON: I was referring to new equipment. All our new equipment is practically bought at one time, which is usually early in the year.

Mr. POWER: In 1929 when did you give orders for this new equipment?

Sir HENRY THORNTON: I would say those orders for new equipment would be given probably in the autumn 1928 or January, 1929.

Hon. Mr. MANION: Perhaps for new equipment; but for example, you would have bought less coal in 1929 since you did less business. That would be a decrease and you would naturally buy that as you required it, the same as ties in 1929, and the same with various other materials. You would buy them as you require them?

The CHAIRMAN: Contracts for coal are let once a year.

Hon. Mr. MANION: Not for that amount of coal. I want to correct a couple of statements that Mr. Vaughan made here the other day about ties.

Mr. POWER: Would you correct the statement you made the other day that in 1930 the Canadian National Railways purchased \$40,000,000 more than the normal requirement.

Hon. Mr. MANION: Yes, I will correct it, because I should have made it higher. If my friend, Mr. Power, will compare 1929, for example, with 1925 he will find the difference is \$52,000,000.

Mr. POWER: In 1923 it was \$142,000,000. We did not reach that point again in all those years, and the Minister's statement was that during the year 1930, the year prior to the election—

Hon. Mr. MANION: 1929, not 1930.

Mr. POWER: I understood the Minister to say 1930. If he corrects me I will accept it. It was the election year.

The CHAIRMAN: I do not think so.

Hon. Mr. MANION: No, I said 1929.

Mr. POWER: We were talking about politics anyway. Don't let us be hypocrites about it. The Minister was endeavouring to impress the committee with the view that there had been some kind of political influence which forced the Canadian National to make their purchases of that kind prior to the election.

Hon. Mr. MANION: And since my friend mentions it I sincerely believe it is true.

Mr. POWER: Sure—

Hon. Mr. MANION: No question whatsoever.

Mr. POWER: I am not doubting that the Minister says it is true, except that I do not think it is borne out by the statement. Let us come to it. \$142,000,000 in 1923. We did not have an election in that year; \$102,000,000 in 1924. There was an election in 1925 and we spent only \$80,000,000. There was another election in 1926 and we spent \$88,000,000. The Minister is comparing the two election years, 1925 when we spent \$80,000,000 and 1930 when we spent \$103,000,000. That will be something like \$20,000,000 difference; and the road had increased in efficiency and in extent in everything. That is to say in 1927 we spent \$115,000,000, in 1928 we spent \$107,000,000 and in 1929—mind you that was the year that was the most successful the road had ever had—

Mr. MACMILLAN: The boom had burst.

Mr. POWER: The boom had not burst in 1928. At least, I did not know it. I think we were all up to the neck in the boom in 1928 and the beginning of 1929. I think I remember the day that the boom burst; it was in October, 1929. In 1929 early in the year we purchased extra equipment to the extent of about—

Mr. VAUGHAN: In 1929 we purchased \$28,600,000 worth of new equipment.

Mr. POWER: \$28,600,000 worth of new equipment. That would make the expenses, leaving that out for the moment—that would leave the expenses in 1929 something like \$104,000,000. In 1930—

Hon. Mr. MANION: Why leave that out? Why leave anything out? Take the total figures.

Mr. POWER: I am going to ask Mr. Vaughan if we required that extra equipment. Nowhere is there any indication that we spent \$40,000,000 more than normal in the year prior to that.

Hon. Mr. MANION: It depends on the year you compare it with. If you compare it with the average year it will be pretty close to \$40,000,000.

Mr. POWER: It is not \$40,000,000.

Hon. Mr. MANION: If you compare 1929 with 1931 it is not \$40,000,000, but \$62,000,000 between 1929 and 1931. I say it depends on the year, but the

fact remains, Mr. Chairman, that in 1929, if you leave out the one year of 1923 when they were co-ordinating the roads, 1929 was tens of millions of dollars more than any other year. I will go further, and I can give you proof for this too, there were branch lines put on for \$30,000,000 in 1929 when the 1927-1930 branch line program had not been completed, and they amounted to \$30,000,000 in 1929, the year before the election. In addition to that, there were dead-head, non-paying roads all over the eastern country and perhaps some in the west bought to the extent of \$40,000,000 in the same year, 1929. I do not know whether this is a strange coincidence, but since my friend mentioned it, I would say that the committals in 1929 were \$270,000,000, the year before the election—pretty nearly as much as the whole national debt of Canada—the year before the war.

Mr. POWER: I have no objection to the Minister making political speeches and saying that we conducted the affairs of the road badly and spent money on the road, but I would like him to stick to his statement, his positive statement, that we spent \$40,000,000 more than normally that year.

Hon. Mr. MANION: I think it is proven by the figures. The figures will have to be read by themselves.

Mr. POWER: That, I think, is a matter of appreciation. I think the Minister will agree with me that I am entitled to look at those figures and appreciate them in my own way. It is all right to interrupt, but don't interrupt the Minister; he loses his temper and gets very angry. Now, if you will let me, I will ask him how that extra expenditure came about.

Hon. Mr. MANION: Keep away from leading questions.

Mr. POWER: Mr. Vaughan is certainly not my witness. Mr. Vaughan, what particular equipment was purchased in 1929?

Mr. VAUGHAN: It was freight cars and passenger cars, and locomotives.

Mr. POWER: In connection with any new lines?

Mr. VAUGHAN: It was the general purchase of new equipment.

Mr. POWER: How does it come that you required so much new equipment that year. Capital equipment?

Mr. VAUGHAN: I was going to say that I think Sir Henry can answer that better than I can. Our earnings that year were \$50,000,000 more than the year following.

The CHAIRMAN: What is the relation between earning and requirements for new equipment? Does it follow as cause and effect?

Mr. VAUGHAN: As I say, the requisition for new equipment comes to us, but Sir Henry could tell us better.

Mr. POWER: Sir Henry, could you give us an explanation of that? We have two witnesses, according to precedent.

Sir HENRY THORNTON: Why did we purchase so much new equipment in 1929?

Mr. POWER: Yes.

Sir HENRY THORNTON: The answer is this: The railway had one very large problem on its hands, and that is it had to deal with a large amount of wooden under-frame freight cars which were rapidly becoming obsolete and would be shortly refused in inter-change with other railways. That is a problem which has been concerning us ever since January 1, 1923. It was a problem which had given the officers of the company and myself, a great deal of anxiety—how we were going to replace this equipment without placing too great a burden on capital expenditures in any one year. In 1928 the performance of the road from the financial point of view had been a good one, and we decided, supposing that

prosperous times were to continue, that we had better, in 1929, try to catch up with some of this equipment which we knew perfectly well would shortly become obsolete. Then we were also anxious to increase the tractive power of our locomotives for economical reasons. Furthermore, our business generally was improving. The outlook for the future was good. And we thought that also we ought to put our passenger equipment in better shape to meet the demands of competition. And for all these reasons, and particularly having regard for the financial showing in 1928, we felt we ought to commence, as a matter of prudence, in 1929 to overtake some of these renewals both in locomotives and freight cars, and also for the purpose of adding to our passenger equipment, and we felt we should do that in 1929. That is briefly the story in a general way.

Mr. POWER: You say that this decision to purchase this extra equipment would have been taken by the directors some time before the end of 1928 or the beginning of 1929?

Sir HENRY THORNTON: It was taken in the autumn of 1928 in preparing our plans for what we should do in the way of new equipment for 1929.

Mr. MACMILLAN: In view of the Minister's statement that the Government were committed to \$270,000,000 in connection with expenditures on the National Railway when Dr. Manion became Minister, let me ask him what course he pursued in endeavouring to eliminate any portion of that \$270,000,000. Were you able to cancel any of the commitments?

Hon. Mr. MANION: Oh, yes; the branch lines bill that we passed last evening is part of the 1929 commitment—the extension of the time for building those—and the Montreal Terminal was part of that commitment. I was speaking of the 1929 commitments—I use the word “commitment.” I do not wish to go into the tie question, but we have some misstatements of Mr. Vaughan and I wish to correct them. Mr. Vaughan was speaking of the purchase of ties and in replying to the Chairman said:—

At the time we were using about 10,000,000 per annum. That is part of his statement. I have a statement since from Mr. Fairweather on behalf of the company, and he makes the number of ties they used per annum, during this big purchase I discussed the other day in 1928 when they used 8,521,000 ties or eight and a half million ties, and not 10,000,000 ties and they never reached that figure of 8,521,000 any other year at any time between 1923 and this year. Mr. Vaughan referred to the figures that they were using as 10,000,000 ties a year.

Mr. VAUGHAN: I would not like to say that we used that year, in 1928, 8,521,000 for maintenance purposes, but we used 1,981,000 for construction purposes, making a total of 10,561,000.

Hon. Mr. MANION: What year is that?

Mr. VAUGHAN: 1928.

Hon. Mr. MANION: I am taking the figures supplied by Mr. Fairweather. He came to me with a computation. Do you mean that there were some other ties besides the figures he gives me?

Mr. FAIRWEATHER: Mr. Smart asked me for a statement of ties laid in replacement for the Canadian National Railways. I gave him that statement, and I told him at the time. I specifically stated in a letter that it was nothing except ties laid in replacement. I stressed to him that it might be desirable to furnish the ties laid in new construction in addition, for which he had not asked, and he stated that he would like to have that same statement. That statement was not handed to him simply for the reason I was too busy to get it.

Hon. Mr. MANION: All right. I will accept the statement. I will withdraw that since there is a correction which Mr. Fairweather makes in this letter to Mr. Smart.

The CHAIRMAN: Your information was faulty.

Mr. FAIRWEATHER: It was not faulty.

The CHAIRMAN: Excuse me; it was faulty.

Mr. FAIRWEATHER: It answered exactly what Mr. Smart asked for.

The CHAIRMAN: Pardon me. Will you please keep quiet. You are here as a witness. Let us have this understood. No official of the Canadian National Railways is going to come here and take charge of this Railway committee.

Mr. POWER: No Chairman of this committee has a right to put words in the mouth of the witness that he did not say, to characterize his evidence as being other than straightforward.

The CHAIRMAN: I agree with your statement that I have no right to put words in his mouth that he did not say. I did not say that Mr. Fairweather had used the word faulty or anything of the sort, but that is the way it appeared to me. In an effort to explain the situation there has been a misunderstanding. If the word "faulty" is not the correct word I unhesitatingly withdraw it.

Mr. DUFF: That is all right.

Mr. POWER: Hear, hear.

The CHAIRMAN: It has been due to a misunderstanding.

Mr. POWER: Now we are all friends again.

Hon. Mr. MANION: May I say a word here. The statement given me by Mr. Fairweather was in reply to a request of mine through my Deputy Minister. I asked my Deputy Minister to find out how many ties had been used by the Canadian National in various years. He got it from Mr. Fairweather. True, Mr. Fairweather speaks of the number of ties used in replacement. I knew nothing about other ties. He does not say there were any others. I accept the correction of Mr. Vaughan as correct in regard to the 10,000,000 ties. Mr. Fairweather did not put in any other ties besides replacement. I withdraw that.

Mr. POWER: Read the letters.

Hon. Mr. MANION: I have not seen Mr. Smart's letter. I have seen Mr. Fairweather's letter which was handed to me by Mr. Fairweather. I accept the 10,000,000 ties figure. But there were a couple of other statements to which I wanted to refer. I was wrong in this connection; I got information that was not complete. It was not intentional, and I make no charge in that respect; but it was not complete as far as I was concerned, and it was given to me by Mr. Smart, apparently as complete information. Apparently, Mr. Smart is the man who gave me some information that is not correct. I am not saying anything about that. I am accepting the statement, and I am withdrawing my charge about the 10,000,000 ties.

Mr. POWER: You are quite right; but if you had read Mr. Fairweather's letter.

Hon. Mr. MANION: Mr. Smart, when you gave me this letter, which does not tell the number of ties used completely by the Canadian National Railways in those years—

Mr. SMART: That first statement is as I took it out of the book.

Hon. Mr. MANION: You gave this letter from Mr. Fairweather to me just the other day, April 28th. I asked you to get me the total number of ties used by the Canadian National by years and you handed me this as an answer. Now, it appears that there are a couple of million ties not in this.

Mr. SMART: That is my understanding, that that is a complete statement.

Mr. POWER: Will you read Mr. Fairweather's letter?

Hon. Mr. MANION: Yes. I have no desire to misrepresent anybody. This is a short letter. This is the letter which Mr. Smart gave me in answer to my question:

I believe you asked Mr. E. E. Fairweather for information as to the number of ties used in replacements—

That is the word he uses now:—

... That is, the number of ties actually placed in track in tie renewals—I did not know there were any others besides that:—

... The figures are as follows for the Canadian National system including eastern lines, but excluding the Central Vermont.

It goes on from 7,000,000 up to eight and a half million in various years:—

The above figures, of course, exclude ties placed in new works.

Mr. DUFF: Mr. Fairweather was absolutely right, and the Chairman had no business to call him down.

The CHAIRMAN: I did not call him down in respect to his statement, but I do object to any official of the Canadian National Railways coming here and trying to take charge of the committee.

Mr. DUFF: He was not taking charge of it.

The CHAIRMAN: That was the effect on my mind.

Mr. DUFF: It was an insinuation he was not telling the truth, and his statements were perfectly right.

Hon. Mr. MANION: I accept it as a mistake on my part. I quote Mr. Vaughan again:

At present we are using only about 5,000,000 ties per annum.

That statement is incorrect, for in this letter of Mr. Fairweather it says that in 1930 they used over 6,000,000 ties and in 1931, six and a half million ties, so that Mr. Vaughan, was, at least, a million and half short in that statement. He made the statement, and I am reading his words.

Mr. POWER: I think Mr. Vaughan was discussing purchases.

Hon. Mr. MANION: No, he was not discussing purchases. We were discussing the number of ties used, and I am quoting his exact words. On page 91—the other part I have accepted as my mistake—he says:

At present we are using only about 5,000,000 ties per annum.

According to this, without any ties used in new work he was a million and a half short, because in 1931 we used 6,588,000 and in 1930, 6,309,000. That does not include those ties placed in new construction. Now, there is another figure I want to put on record.

Mr. BEAUBIEN: Why not let Mr. Vaughan explain it?

Mr. VAUGHAN: When I was speaking I was giving more or less round figures, but I think part of the difference might be accounted for in that I was dealing to some extent with ties used on Canadian lines whereas I think that includes all ties, United States as well as Canadian.

Hon. Mr. MANION: This excludes the Central Vermont?

Mr. VAUGHAN: My figures did not include the Grand Trunk Western.

Hon. Mr. MANION: You were one million and a half short. I will tell you what I think Mr. Vaughan was doing. He was trying to make a picture. I say that quite frankly.

Mr. POWER: Does the Minister think it is fair to treat one of his own officers in that way.

Hon. Mr. MANION: Mr. Vaughan did not treat me fairly the other day when he took the attitude that there was a difference between this year and the previous year.

Mr. BEAUBIEN: You were not treating Mr. Vaughan right the other day.

Hon. Mr. MANION: Let Mr. Vaughan speak for himself.

Mr. POWER: The Chairman will not let any of the officers speak; we have to speak for them.

Mr. VAUGHAN: I think I have tried to give evidence in a way that would not be misleading to anyone. As I say, about these 6,000,000 ties—

Hon. Mr. MANION: I would like to put one more figure on record. In 1929, according to this same statement of Mr. Fairweather's, they had 11,122,000 ties on hand, which was well over the year's supply. Nearly 13,000,000 or 14,000,000 ties were bought in 1929.

Mr. VAUGHAN: I do not know where the Minister got those figures, but they do not agree with my figures.

Hon. Mr. MANION: I got them from Mr. Fairweather, your statistician, in the same letter he has just sworn by as being correct.

Mr. POWER: I think we will have to publish that letter.

Hon. Mr. MANION: Certainly. I will give the letter complete. There is none of it confidential.

Mr. POWER: Let us have Mr. Vaughan's purchasing statement to put alongside that letter.

Mr. VAUGHAN: My figures show at the end of 1927 that we had on hand on Canadian lines 4,838,552 ties.

The CHAIRMAN: This figure shows 9,428,000.

Hon. Mr. MANION: December 31, 1927, this letter of Mr. Fairweather's, shows 9,438,000 on hand.

Mr. VAUGHAN: That certainly does not agree with my figure. At the end of 1928 my figures show 7,108,948.

Hon. Mr. MANION: What do you say for 1929?

Mr. VAUGHAN: 10,804,655.

Hon. Mr. MANION: This shows 11,122,000. That is close enough.

Mr. VAUGHAN: I think there must be some mistake. At the end of 1930, we had on hand 11,436,717. My statement says at the end of 1927, the year before we ordered the large number of ties—we had on hand 4,838,552.

Mr. POWER: What did you have in 1931?

Mr. VAUGHAN: 8,879,000 on hand.

Mr. POWER: 8,000,000 on hand at the end of 1931?

Mr. VAUGHAN: Yes.

Mr. POWER: Of which 4,000,000 had been purchased in 1931?

Mr. VAUGHAN: Yes.

Mr. POWER: Now, would you give me the list of the persons from whom you purchased ties in 1931? Mr. Chairman, you did not rule that out of order the other day.

Hon. Mr. MANION: I think the committee ruled it out of order.

Mr. POWER: No. Let us get that cleared up.

Mr. STEWART: Mr. Chairman, could I get a little information in regard to private cars used by the Company's officers?

Sir HENRY THORNTON: Yes. Any information you want to ask for.

Mr. STEWART: I would like to know what officers used private cars for the latter half of 1930, and their destination. I would also like to have the expense accounts of R. W. Deacon and L. V. Hummel for the last half of 1930.

Sir HENRY THORNTON: The last six months?

Mr. STEWART: Yes. And I would like to have the salaries and fees and expenses paid by the C.N.R. or any of its subsidiaries to G. A. Gaston from 1923 to date.

Hon. Mr. CHAPLIN: I would like information as to what officials of the Canadian National Railway have—not private cars—but automobiles at the expense of the company?

Mr. GRAY: I would like to have the comparison of the number of tons of freight moved in 1925 as compared with 1929 and the number of passengers carried in 1925 as compared with 1929.

Mr. BEAUBIEN: May I ask Sir Henry if he could give us the reduction in mileage, train mileage that took place last fall in agreement, as I understand it, between the two railway companies. There were certain reductions in train miles all over the system. Will you give me the information as to the number of train miles and the reduction by the Canadian National Railways and by the Canadian Pacific Railway.

Sir HENRY THORNTON: I do not know—

Mr. BEAUBIEN: I am speaking of a reduction of service. There was an agreement between the two railways that there would be certain reductions, and it was done in that way.

Mr. POWER: In which the C.N.R. got the dirty end of the stick.

Sir HENRY THORNTON: I think we can measurably answer the question.

Mr. MCGIBBON: When Mr. MacMillan and I visited Montreal two weeks ago we asked for certain information. So far it has not been produced. Probably they have been too busy. The session is getting near its close, and I move that this information be produced.

Complete letter to Mr. Smart from Mr. Fairweather follows:—

CANADIAN NATIONAL RAILWAYS

MONTREAL, QUE.

At OTTAWA, April 28, 1932.

W. I. SMART, Esq.,

Deputy Minister, Dept. Railways and Canals,
Ottawa, Ont.

DEAR SIR,—I believe you asked Mr. E. E. Fairweather for information as to the number of ties used in replacements; that is, the number of ties actually placed in track in tie renewals. The figures are as follows for the Canadian National System, including Eastern Lines but excluding the Central Vermont:

1923..	7,089,000
1924..	7,374,000
1925..	7,434,000
1926..	8,411,000
1927..	8,334,000
1928..	8,521,000
1929..	8,031,000
1930..	6,309,000
1931..	6,588,000

The above figures, of course, exclude ties placed in new works.

As possibly being of interest to you, the tie stocks on hand at December 31st of untreated ties, ties awaiting treatment and treated ties from 1926 to date are as follows:

December 31, 1926..	4,635,000
December 31, 1927..	9,428,000
December 31, 1928..	7,332,000
December 31, 1929..	11,122,000
December 31, 1930..	11,729,000
December 31, 1931..	9,014,000

Yours faithfully,

(Sgd.) S. W. FAIRWEATHER.

The Committee rose to meet at 4 o'clock.

AFTERNOON SITTING

The Committee resumed at 4 p.m.

The CHAIRMAN: Gentlemen, what shall we take up this afternoon? It is suggested that we go ahead and finish with answers to questions asked at a previous meeting.

Sir HENRY THORNTON: Col. Cantley asked this question:

Memorandum showing operating expenses (including taxes paid, if any) on all hotels owned and operated by the Canadian National Railways, during the calendar years 1930 and 1931; also total capital cost of Nova Scotian Hotel, Halifax, as at December 31, 1931, subdivided as to land, buildings, furnishings, together with a statement showing the amount, if any, written off for depreciation between the date of the opening of the hotel and December 31, 1931.

The answer is: Operating expenses, including taxes paid, \$3,292,040.70 for the year 1930, and for the year 1931, \$3,144,940.36. There is a reference also to page 45 of the annual report: Total cost of the Nova Scotia hotel as at December 31, 1931, subdivided between land, buildings and furnishings: Total capital cost \$2,440,927.86. Divided:

Land..	\$ 126,263 32
Buildings..	1,738,443 41
Furnishings..	576,221 13
Total..	\$ 2,440,927 86

No depreciation written off.

The CHAIRMAN: Sir Henry, I thought the Nova Scotia hotel had been built on land which was the property of the railway. I see an item there of \$126,000?

Mr. FAIRWEATHER: I do not think any land was purchased.

Sir HENRY THORNTON: Do you happen to know anything about that, Mr. Hungerford?

Mr. HUNGERFORD: No, I do not.

The CHAIRMAN: I was rather surprised to see that the land was bought.

Mr. DUFF: There was some land purchased in front of the hotel. I do not know how much it cost.

Sir HENRY THORNTON: I do not think there was.

Mr. CANTLEY: There was a large quantity of land bought in front of the hotel.

Mr. FAIRWEATHER: My reference here is:

Halifax, general prominence overlooking Halifax Harbour, crown property. Was decided that the land for hotel purposes would be charged thereto and it was transferred to the hotel account.

That is my note.

The CHAIRMAN: It is just an appraisal and distribution.

Sir HENRY THORNTON: I think that is true, but we had better have a note made of that and make sure of it.

The CHAIRMAN: Find out whether any portion of the land was bought for the purposes of the hotel in addition to the terminal.

Sir HENRY THORNTON: The next question is one asked by Dr. McGibbon:

What will be the total investment in hotels owned by the Canadian National Railways system when the present program of construction is completed?

My answer is: Total investment on hotels will be \$37,696,494.03.

The CHAIRMAN: Can you give us any distribution of that?

Sir HENRY THORNTON: Yes. It was not asked for.

Mr. MACLAREN: Chateau Laurier, \$8,639,000; Highland Inn and Camp, \$172,000; Bessborough and Saskatoon, \$2,624,000; Fort Garry, \$2,886,000; Macdonald, \$2,226,000; Prince Arthur, \$1,177,000; Prince Edward, \$523,000; Grand Beach, \$418,000; Nipigon Lodge, \$37,000; Jasper Park, \$2,576,000; Vancouver Hotel, \$5,958,000; Nova Scotian, \$2,440,000; Minaki Inn, \$1,090,000; Charlottetown Hotel, \$853,000; Pictou Lodge, \$200,000; Total, \$31,828,000 plus estimated cost to complete Vancouver Hotel, \$4,473,000, Saskatoon, \$1,125,000; Total, \$37,696,494.

The CHAIRMAN: Does that \$37,000,000 include the expenditures to be made at Vancouver and Saskatchewan?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: So it has not already been spent?

Sir HENRY THORNTON: No. It may not all be spent. Now, Mr. Bell asked for a statement showing:—

A comprehensive statement regarding the Montreal terminals. Here is as comprehensive a statement as we can prepare, and I do not suppose you want me to read that. Perhaps the best way would be to file it for Mr. Bell's examination.

The CHAIRMAN: What is your next question?

Sir HENRY THORNTON: Col. Cantley asked this question:—

In 1931 what profit accrued from the operation of your foreign lines in the United States?

The answer is: The operation of the United States lines of the Canadian National Railways in 1931, resulted in an operating profit of \$1,189,853.57. After provision for taxes, equipment, rentals, fixed charges due the public and so forth there was a loss of \$4,191,527.12. Prior to the depression these lines showed a substantial profit after those charges, and the value of those United States lines to the rest of this system is not reflected completely by the above figures. A very considerable volume of traffic is interchanged between the parent system and these subsidiaries much of which is dependent upon the

continuing control of them. The gross earnings to the Canadian lines of a freight interchange with these United States properties in the ten-year period amounted to more than \$150,000,000.

Mr. CANTLEY: With regard to that statement and that situation, I have always held the view that whatever warrant we had for operating railways in the Dominion of Canada we had no warrant for operating railways and owning railways in a foreign country. I think we have got an obligation enough in connection with our own road. I think we are taking a risk in connection with operating roads in a foreign country. Some day we may regret it. We spent a good deal of money in the last ten years in connection with these roads, and I can only again record my objection to our continuing to operate a railway property in a foreign country.

Sir HENRY THORNTON: In that connection, Mr. Chairman, as a matter of information to the committee, the committee will, of course, be aware that the position of the two lines which we own in the United States, namely, the Central Vermont and the Grand Trunk Western, came to us as legacies from the old Grand Trunk system.

The CHAIRMAN: And the Portland lines?

Sir HENRY THORNTON: The Portland line as well. That is to say, when the Government took over these properties they took over the whole Grand Trunk system and these properties, of course, followed along quite naturally. Now, there has been some discussion and there have been questions raised as to the wisdom and, perhaps, even the profit of a Canadian Government railway retaining as Col. Cantley pointed out, railway lines in a foreign state. As far as complications are concerned which might be regarded as international in character we have thus far succeeded in getting on very amiably with the Interstate Commerce Commission, with the representatives of the various states through which these lines run and, as a matter of fact, one might say with truth that our relations with public bodies in the United States are extremely cordial, and they have shown no desire to embarrass the Canadian National or the Canadian Government, and have rather looked upon these lines as a neighbourly performance. In fact, I think I can say safely that our relations with the Interstate Commerce Commission are even more cordial than a good many American railways enjoy. So that speaking from nine years' experience with this property I have not seen any indication or desire on the part of anyone, either private individuals, private enterprises, state legislatures or the United States Government, to embarrass the Canadian National Railways in its ownership of these lines. Of course, out of a perfectly clear sky unexpectedly something might turn up; but I can only say as the result of nine years' experience that our relationship with respect to these lines has been extremely gratifying. Now, in the matter of profit—

The CHAIRMAN: Before you leave the question of ownership, is it not a fact that the ownership of the Grand Trunk Western and Central Vermont and the Grand Trunk line to Portland is by way of stock ownership vested in the Government? That is true of all three, is it not?

Mr. FAIRWEATHER: The stocks are held by the Canadian National Railway.

The CHAIRMAN: We have all that stock; so it is really stock ownership. I cannot, for the life of me, conceive of any likely international problem that may arise.

Hon. Mr. EULER: While there might possibly be what might be called international complications, I have not very much fear of that. I would like to ask Sir Henry's opinion as to the values of these United States properties.

The CHAIRMAN: That is another aspect he is coming to.

Hon. Mr. EULER: Yes, as feeders to the Canadian National Railways. We would not want to lop off an arm or a leg.

The CHAIRMAN: I never could understand any objection from the standpoint of corporate ownership in holding lines in the United States.

Mr. CANTLEY: I do not think that is correct. Especially so far as Grand Trunk Western is concerned I have not anything to say at the moment, but I want to point out that the Vermont Central went into bankruptcy and we stepped in and rescued it, and I think I am right in saying that we spent a considerable amount of money in connection with it. Is that not correct?

Sir HENRY THORNTON: That is true; but what happened there—

Mr. CANTLEY: You have a capital investment in a foreign country.

The CHAIRMAN: By stock ownership.

Mr. CANTLEY: I don't care what ownership you have. We put our money in there and we cannot get it out.

Sir HENRY THORNTON: What happened there was this: About five years ago there was a very disastrous flood in Vermont and a large proportion of the mileage of the Central Vermont was wiped out. We had to spend—I think it was—about \$3,000,000—I can give you the figure exactly—it was a substantial sum, in rebuilding that railway. At the time we rebuilt it we rebuilt bridges strong enough to take heavier motive power and generally improve the line. In order to accomplish all of these purposes without endangering the position of the Canadian National Railways and its ownership of the Central Vermont we put the railway in receivership. Now, when it emerged from receivership and was rebuilt in a more efficient condition, frankly to my surprise I was shown an earning power which I did not know it had or which I did not think could be developed. In the first year or two, or up until the time the depression struck us, the Central Vermont earned enough to pay the interest on all of its fixed charges and surplus besides which never before had happened in the history of the country. In fact, in 1929 it earned \$6.79 per share on the common stock. So that the property instead of being a liability is really an asset and would have continued an increasing asset had it not been for the depression which, of course, brought all railways on the North American continent into a very precarious financial position.

The CHAIRMAN: What is the capital expenditure represented by the mortgage?

Sir HENRY THORNTON: The old Grand Trunk Company guaranteed certain bonds, and then, to rehabilitate the property after the flood, we put on, I think, some additional bonds.

Mr. FAIRWEATHER: About \$5,000,000.

Sir HENRY THORNTON: My recollection is that that loan was guaranteed by the Canadian National. So that we own all the common stock in the company and the original bond issue; and the subsequent bond issue to rehabilitate the railway after the flood were sold to the public. Those bonds are guaranteed by the Grand Trunk with respect to the original issue, and I think by the Canadian National with respect to the second flood issue.

The CHAIRMAN: What is the total outstanding liability to the public in respect to the Central Vermont?

Mr. McILAREN: \$2,051,000.

Sir HENRY THORNTON: We own all the bonds and stock.

Mr. POWER: Did you not say a stock issue of \$5,000,000 after the flood to the public?

Mr. FAIRWEATHER: No, at the end of the receivership of the Central Vermont, the Canadian National interest in the Central Vermont consisted of \$10,000,000 common stock, \$5,000,000 debentures, and \$12,000,000 bonds, total, \$27,000,000.

Sir HENRY THORNTON: And the Canadian National owns the whole thing, we own all the bonds, debentures and stock.

Mr. FAIRWEATHER: In addition to that, there are Equipment Trust Notes.

Mr. CANTLEY: How much new money did we put in the road?

Mr. FAIRWEATHER: At the time when we bought the receivers' certificates?

Mr. CANTLEY: Yes.

Mr. FAIRWEATHER: \$5,000,000.

Sir HENRY THORNTON: As it stands to-day, the Canadian National owns all the bonds, stock, debentures and securities.

Mr. GRAY: What is our total investment in the road?

Sir HENRY THORNTON: About \$27,000,000.

The CHAIRMAN: That is giving full par value to the common stock.

Sir HENRY THORNTON: As I have pointed out, in 1928 the stock earned 6·7 per cent.

Mr. GRAY: What did the road actually cost, capital account?

Sir HENRY THORNTON: You are asking how much money actually went into the property? I do not believe I can answer that offhand, but we can get it.

Mr. MACLAREN: The present investment of the Canadian National in the Central Vermont is \$27,000,000. It took up on account of the receivership \$11,860,000.

The CHAIRMAN: And we have actually got in cash \$27,000,000?

Mr. MACLAREN: I cannot say whether we paid par for the stock or not.

Sir HENRY THORNTON: I think if you want a statement of the situation it had better be gone into with more care than one can give it offhand. We will give it to you to-morrow, exactly.

The CHAIRMAN: On page 27 of this annual report under the heading "Schedule of Companies comprising the Canadian National Railway system," the total for the Central Vermont group is listed as \$13,070,133, which includes a lot of little companies. The Central Vermont proper is listed at \$10,000,000. That is issued capital stock, I understand. But in addition to that, you hold all the bonds or other securities issued by the concern, which have a face value of \$38,000,000. But I did not understand you to say that we have actually put in \$38,000,000 in cash.

Sir HENRY THORNTON: No, I think that will have to be gone into more carefully.

Now with respect to the Grand Trunk Western and the value of that property to the Canadian National, for the last six years various transportation interests in the United States have indicated a desire to buy that property. I have had myself two or three suggestions from two or three of the larger railway systems in the United States that they would like to acquire the property. But at that time, I did not feel that the time had arrived to sell the property to the best advantage. In other words, even if you want to sell a property, you do not sell it to the first person that makes an offer. My feeling was that in view of the consolidations that were coming about in the United States, it would be unwise to sell the property, and if we did want to sell to wait until some of these consolidations were approved, and at that time we could probably have a little competition in buying, and dispose of the property to more advantage.

When you come to consider the value to the Canadian National Railways of the Grand Trunk Western and Central Vermont, you have to remember this, the Central Vermont plus the Canadian National line from Montreal through to Detroit, plus the Grand Trunk Western into Chicago, constitute a through route for freight from points in Michigan, and west, north and south of Chicago, straight through to New England points. And the people of New England have been very jealous of that route, because it is a competitive route with the other railway lines through New York and over the Poughkeepsie bridge and through the Hoosiac tunnel to the west, so that our route is a competing route with these other routes for freight from points in Michigan and west of Chicago to New England.

That route, of course, is obviously valuable to the people of New England; it is equally valuable to us. Also, you have to remember that the Grand Trunk Western gives us an entrance into Chicago. You are all sufficiently familiar with the geography of the United States to know that a number of very important railway lines focus in Chicago. It puts the Grand Trunk in a position to connect directly with all western railways at Chicago, and get its share of through business. Some of that business goes to New England, but a great deal comes across the peninsula of Ontario to the Niagara gateway, and is there delivered to connecting roads. So you see our entrance into Chicago gives us an opportunity to move freight across the Ontario peninsula to the Niagara gateway, or through Ontario and part of Quebec and by way of the Central Vermont into New England. Every pound of that freight not only brings increased business and increased revenue to the Canadian National Railway, but it gives very considerable employment to Canadians who are working in Canada. That is to say, if we did not have that freight to move, we would employ fewer engine men, firemen, conductors, and so on. So, not only is the business itself profitable, but it also affords an opportunity of giving employment to men who otherwise would not be employed.

As a matter of policy and strategy I should very strongly advise against disposing of either the Central Vermont or the Grand Trunk Western unless the price were that which compensated us for other losses which we might experience in the matter of traffic.

The CHAIRMAN: Or traffic arrangements made. Now what about the Portland branch?

Sir HENRY THORNTON: That is briefly the story of those two lines, but you must remember that they came to us as an inheritance from the old Grand Trunk, we have tried to make the best of it.

The CHAIRMAN: What about the line to Portland?

Sir HENRY THORNTON: That is not a very encouraging picture. There was a time during the old Grand Trunk regime when a large amount of grain moved via Portland. That traffic has pretty well disappeared, and if anyone would like to buy that line I think we would be very glad to sell it. I do not think it is of any great value to the system. But we have got it and we cannot give it away.

Mr. POWER: It would pay the people of the Maritimes to buy it and scrap it?

Sir HENRY THORNTON: It is not bothering the Maritimes to-day. It is almost negligible.

The CHAIRMAN: What about the movement of traffic from New England west, by your line?

Sir HENRY THORNTON: Most of it moves by the Central Vermont, not a great deal by the Portland branch. The possession of the Central Vermont gives us,

of course, direct access to New England, puts us in a position to exchange important traffic with the Boston and Maine, and the New York, New Haven and Hartford.

Hon. Mr. EULER: You say now you would be glad to dispose of that road to Portland. Would you say it would be a better proposition from a revenue standpoint if you did carry your freight, any kind of commodity, wheat or anything, which goes overseas, wouldn't it be better business for the railway to take it to Portland, putting it on a straight dollars and cents basis, than hauling it to Halifax, 500 miles farther, or St. John.

Sir HENRY THORNTON: There is no good fooling ourselves about that, obviously the shorter the distance you can move your freight, provided you get the same rate out of it, the more money you make.

Hon. Mr. EULER: If there were no such sentiment as that which demands that this freight go through Canadian territory to Saint John and Halifax, would you not as a railway man prefer to haul it to Portland?

Sir HENRY THORNTON: I want to preface my reply with this statement; perhaps you will forgive me if I merely express my views as a Canadian, if I may call myself such, although some may doubt it. Still I would like to give my views as a Canadian. To begin with I have always felt that Canada owes a certain debt to the ports of Halifax and Saint John because those are the only ports which are open all year round and give to the people of Canada uninterrupted access to the Atlantic ocean without passing through foreign territory. If we did not own the ports of Halifax and Saint John, during the winter time, the season of closed navigation, the people of Canada, except by the use of foreign soil, would be closed to the Atlantic ocean. Personally I think, looking at it from the National point of view, that that is of great strategic importance. I do not think it is a thing that should be idly thrown away.

Having that in mind, we have done our best on the Canadian National, and I am sure the Canadian Pacific has done the same, to encourage wheat shipments through Halifax and Saint John. Of course we are more interested in Halifax than Saint John, but both railways have interests more or less at both places, though the Canadian Pacific Railway has not much at Halifax. So we have done all we could, and rates have been so constructed as to encourage grain shipments for export through those ports. But in spite of all that we have been able to do, in spite of all everyone can do, the grain will not move that way. The bulk of our export grain moves through Montreal and Quebec or through Buffalo to New York, and to a lesser extent, Boston, Philadelphia and possibly Baltimore.

Mr. BEAUBIEN: In other words, you have to cater to the wishes of the shipper.

Sir HENRY THORNTON: We cannot control the shipper. I think any traffic man, if you brought the traffic vice-president of the Canadian Pacific Railway here I think he would confirm the statement that no railway can control in these days the port of destination for export merchandise.

Hon. Mr. EULER: Is this true, that the more traffic you obtain to the Maritime ports the more money you lose?

Sir HENRY THORNTON: That is unquestionably true. But I prefaced my remarks by pointing out what I thought was the strategic advantage of those two ports as giving Canada access during the season of closed navigation to the Atlantic ocean. Now, if you ask me a straight question based on economics—

Hon. Mr. EULER: That is what I want.

Sir HENRY THORNTON: Certainly it is much more profitable, we would make more money out of wheat that goes to Portland than to Halifax. That is so plain one need hardly enlarge upon it.

Hon. Mr. EULER: May I ask one other question? Is there any special advantage, if so in what does it consist, in the railway hauling freight say to Halifax—I have no prejudice against Halifax—or Saint John, what great benefit inheres to those ports by reason of the fact that wheat goes through them? I have an idea that it does not give a great deal of employment, it is pretty much a matter of sentiment. Am I right or wrong?

Sir HENRY THORNTON: It is hard to say how much money accruing from the movement of traffic through a port sticks to the people who live in that port.

Hon. Mr. EULER: Does it give much employment?

Sir HENRY THORNTON: Some, there would be the employment you find at a busy elevator?

Hon. Mr. EULER: How many people?

Sir HENRY THORNTON: I could not answer that, but I have always maintained that the profit which accrues to individuals living in a city that is a port, does not vary very much with the amount of traffic passing through. Take Halifax for example, curiously enough the best business which Halifax got last year and which they will get this year are these so-called show boat cruises in which steamships like the Aquitania or the Olympic will bring a whole boat load of passengers, tourists, to Halifax for 24 hours. Those people go out through the city and they must leave a fair amount of money behind them. I believe there is more money accruing to the citizens of Halifax from that kind of trade, as far as shopkeepers and others are concerned, than would result from the movement of several million bushels of grain, because a bushel of grain simply goes in and goes out. But tourists who stop 24 or 36 hours in a city are sure to leave a certain amount of money behind them.

The CHAIRMAN: But that is a very ephemeral business. But in addition to the labour that is employed in connection with the grain and other freight traffic there are immense sums spent by these steamships in the port in the purchase of supplies. Not a port of call, but where they turn around.

Sir HENRY THORNTON: That is true.

The CHAIRMAN: That is the most important feature of the whole business.

Hon. Mr. EULER: For the carrying of wheat?

The CHAIRMAN: Any ship. The provision bill, for instance. Mr. Duff knows about that as much as anyone.

Mr. CANTLEY: I will make an attempt to answer Mr. Euler to some extent. As far as the movement of wheat through the port of Halifax or any other port is concerned, it certainly provides less employment than any other class of freight. There is no question about that. But this also is true; take the case of the Canadian Pacific and the handling of their boats at Saint John, they put a boat in with the capacity of say 15,000 tons. She has six or seven or eight thousand tons of package freight and general cargo. She has room for four or five thousand tons additional. She fills that up with grain. If she did not, she would go that much light. Now that is a basic fact, and that will account for four-fifths or perhaps nine-tenths of all the grain shipped through Saint John. Any money they get for carrying that grain is just so much found money on that voyage. That continues all through the season, particularly the winter season, but to some extent the summer as well. Now if the Canadian Pacific Railway sent their bigger boats to Halifax, as they likely will, they will find it will be profitable to do the same thing, to bring a certain quantity of grain to fill up those big ships.

I have already expressed myself in the House in regard to the conditions, which I am afraid our Halifax people do not realize, in regard to the movement of grain through the American ports. There is a reason for that which I do not think we can get over, and that is in connection with the ballasting of these

big boats, twenty to forty thousand tons, with enormous over-structures, which must receive and carry on their western or eastern voyages a large amount of dead weight, either water ballast which pays nothing, or if they can get grain they are glad to take it at any rate, down to half a cent a bushel. I have said it in the House already, I have actually known cases where these bigger boats in the winter paid a premium to get grain to give them the necessary stability and make them safe in the winter.

Those are great difficulties. As I have said, I do not look forward to any great movement of grain through Halifax. The Canadian Pacific Railway are taking charge of Saint John and will continue to move a considerable tonnage through that port, due to the reasons I have tried to explain.

Hon. Mr. EULER: One more question. I understand that the rate for carrying a bushel of grain to Portland or Halifax, which I think is 500 miles farther from Montreal than Portland, is exactly the same.

The CHAIRMAN: One cent more.

Sir HENRY THORNTON: I think there is a differential of one cent per one hundred pounds.

Hon. Mr. EULER: It does not pay does it? It is all down hill.

Sir HENRY THORNTON: Mr. Kennedy asked this question:

Statement in respect of all legal expenses, of all sorts and descriptions, whether paid to whole time lawyers of the company, or paid in the form of fees to those who are outside the company's services, for the years 1929, 1930 and 1931, these expenses to be divided between expenses of regular legal staff and payments made to outside firms or lawyers.

Answer:

	1929	1930	1931
Salaries.. \$	373,863 51	\$ 381,514 48	\$ 366,232 69

The CHAIRMAN: How many men in 1929, 1930, and 1931?

Sir HENRY THORNTON: I have not got that. We can get it.

Mr. BEAUBIEN: The lawyers certainly have an awful monopoly in this country.

Sir HENRY THORNTON (continuing):

	1929	1930	1931
Retaining Fees.. \$	17,233 13	\$ 13,146 39	\$ 12,467 31
Fees paid outside lawyers.. . .	163,351 06	119,859 07	130,809 35
Personal Expenses..	31,011 20	34,991 61	29,147 29
Office and other expenses.. . .	17,971 16	21,915 76	15,391 85

The CHAIRMAN: That is personal expenses for the permanent legal staff?

Sir HENRY THORNTON: I think that must mean for the permanent legal staff.

Then there are certain credits collected. In 1929, \$48,566.68. That was a bill for certain legal work, I do not recall the nature of it, which we did for the Detroit and Toledo Short Line, of which we are fifty per cent owner.

The credit for 1930 was \$6,200 and for 1931 \$5,000.

That makes the total legal expenses:—

For 1929.. \$	554,853 38
For 1930..	565,227 31
For 1931..	546,039 49

Sir EUGENE Fiset: That is exclusive of your permanent staff?

Sir HENRY THORNTON: No, that includes everything.

The CHAIRMAN: Those are your net costs?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: How many permanent employees?

The CHAIRMAN: How many lawyers are in the permanent employment of the railway in Montreal and elsewhere?

Sir HENRY THORNTON: I can get you the figures; I haven't them in mind.

Mr. POWER: How many are there on retaining fees also?

Sir HENRY THORNTON: I do not quite know what the definition of a lawyer might be. Would you say?

The CHAIRMAN: A practising lawyer.

Mr. POWER: Probably what is in Sir Henry's mind is that they must have a number of notaries also, and their fees might be large.

The CHAIRMAN: Do you have notaries in Quebec?

Sir HENRY THORNTON: I think probably we have a notary of our own in Quebec. That is a guess.

The CHAIRMAN: That would be among the salaries. What we would like is to have a list of the lawyers.

Sir HENRY THORNTON: The lawyers permanently employed and those not permanently employed who participate in fees or retainers?

The CHAIRMAN: Yes.

Mr. POWER: You might as well tell us who they are, while you are at it.

Sir HENRY THORNTON: Would you like their names?

Mr. POWER: Yes. I want to find where all this easy money is.

The CHAIRMAN: Get on the payroll and you will get it.

Mr. POWER: I cannot get it without the assistance of your pal alongside of you.

Hon. Mr. MANION: That is all right,—that is if you will behave yourself.

Mr. POWER: Oh, there is no trouble about that.

Sir HENRY THORNTON: Mr. Fairweather has some interesting figures as to comparative legal expenses of other railways.

The CHAIRMAN: Yes, let us have that.

Mr. FAIRWEATHER: The comparative legal expense per thousand dollars of expenses for different roads are as follows: for 1928, for the Canadian National it was \$2.08 per thousand dollars of expense; for the New York Central, \$2.70; the Pennsylvania system, \$2.55; the Northern Pacific system, \$3.58; the Great Northern, \$3.77; the Chicago and Northwestern, \$2.62; the Atcheson, Topeka and Santa Fe, \$3.76; the Baltimore and Ohio, \$4.57; Chesapeake and Ohio, \$4; and all class 1 roads in the United States, \$4; that is the average of all the United States, \$4.

Mr. DUFF: What about the Canadian Pacific Railway?

Mr. FAIRWEATHER: The Canadian Pacific Railway was \$1.61.

You will see the Canadian National is lower than any of the class 1 roads in the United States.

For the year 1930 the comparative figures are:—

Canadian National, \$2.47; legal expenses per thousand dollars of operating expenses; that is an increase because the traffic fell off. The Canadian Pacific was \$1.98; the New York Central, \$3.03; the Pennsylvania, \$2.83; the Northern Pacific, \$3.68; the Great Northern, \$3.73; Chicago and Northwestern, \$2.83; Atcheson, Topeka and Santa Fe, \$4.39; Baltimore & Ohio, \$5.01; Chesapeake and Ohio, \$5.57; and all the class 1 roads in the United States averaged \$4.06.

The CHAIRMAN: Where did you get that information?

Mr. FAIRWEATHER: That comes from the reports of these railroads to the Interstate Commerce Commission in the cases of United States roads; and the report of the Canadian Pacific to the Dominion Government.

With regard to United States roads, there can be no doubt as to the accuracy of the comparison because their accounts are kept strictly in accordance with a schedule of accounts; and we ourselves follow that schedule exactly. In Canada there is more looseness, and I would not want to say that the comparison with the Canadian Pacific was absolutely on the same basis.

Mr. BEAUBIEN: The appetite for lawyer's fees by the lawyers in the United States is equally as high as that of the lawyers in Canada.

Mr. MUNN: He does not know anything about the appetite.

Hon. Mr. EULER: It seems to me, Mr. Chairman, that the figures for the purpose of drawing a parallel between the fees in the United States are not very much good.

The CHAIRMAN: Let us get down to brass tacks. The chief lawyer in the Canadian National gets \$30,000, and I understand that there are 30 lawyers in the Canadian National drawing \$10,000 or more. I cannot believe it.

Sir HENRY THORNTON: I think in that you will have to differentiate between the chief solicitor and the chief counsel for the Canadian Pacific Railway.

The CHAIRMAN: The chief counsel for the Canadian Pacific Railway goes into court, and your chief counsel keeps out of court.

Sir HENRY THORNTON: I think perhaps he shows his skill in that. The chief counsel of the Canadian Pacific is paid an annual retaining fee, and then he receives a certain amount—I have no idea what it is; he receives a certain fee for each case which he conducts for the Canadian Pacific. What the amount is, I do not know.

Mr. BELL: It is \$30,000 which is paid to the chief counsel for the Canadian National Railways.

Sir HENRY THORNTON: Yes.

The CHAIRMAN: Mr. Ruel's salary, according to the information I have, is \$30,000 per annum and Mr. Rand's salary is also considerable and neither of them goes into court.

Hon. Mr. CHAPLIN: The figures I have taken off read about as follows: Sixteen officials' and the general officials' salaries amount to \$198,000, or an average of \$12,400. Supervisory officials, twenty-two of them have salaries of \$123,000, or an average of \$5,600. Miscellaneous officers are four, making a total of \$346,800.

Mr. MACMILLAN: Of course that is wrong. Sir Henry gave us a statement in 1930-31 which was higher than this.

Sir HENRY THORNTON: This statement which we have given you includes everything.

Mr. MACMILLAN: Was not the salary paid to those permanently in your employ \$281,000?

Sir HENRY THORNTON: Whatever figure I gave—I have not the figures here—represent the salary list.

Railroads generally have two ways of handling their legal business, and there may be some discussion as to which is the better way. One is to employ a minimum staff of lawyers to take care of the day-by-day business, and then when any case of importance appears, to employ outside lawyers to conduct that case. The other method is to employ a larger staff on the railway itself and do more of the work within the permanent staff.

There are a good many high-class lawyers on the North American continent who are legal vice-presidents of large companies and who, in addition to that,

have their own law firms and conduct their own practice. With respect to our legal vice-president, he does not practise in private at all.

Hon. Mr. CHAPLIN: Mr. President, it seems to me that this department is one which needs to be overhauled. I just want to call to your attention one thing. It seems to me that these men, differing from lawyers we know, are interested in carrying on legal proceedings. Take as an example, a short time ago a village in my own constituency had a dispute with your railway; they had a suit with them; they carried it to the courts and beat you; you appealed it, and they beat you again; and they were preparing to carry it to the Supreme Court or some other court of reference, and I simply took the case up through the Minister and called your attention to the fact that it looked like persecution; that because the railway corporation was a strong concern they were putting a small municipality to a great expense for a lawsuit; and you were good enough to tell me, through the Minister, that you would see the litigation would cease. It seems to me that a legal department like yours encourages litigation.

Sir HENRY THORNTON: I am very much pleased that in that particular instance I was able to do some public service and stop litigation which perhaps was unprofitable. But in considering the affairs of so large a railway as the Canadian National, I suppose that at times there will occur cases of that sort, and unless it comes to my attention it might go on as in this litigation to which Mr. Chaplin has referred.

After all, when you come down to examine and consider the ratio of the legal expenses of the Canadian National Railways, as compared with that of other railroads, I do not think our showing is a bad one.

Sir EUGENE Fiset: Do the figures which you have just given the committee relate to Eastern Lines?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: You appoint a man as counsel for the region on the theory that he will conduct the litigation for that region. That is the fact with the Atlantic region; but when you actually get into a big lawsuit, such, for instance, as you had with the Canadian Pacific Telegraph Company, on their rights over your right-of-way down east, you go and hire a high-priced counsel.

Sir HENRY THORNTON: That was a very complicated case.

The CHAIRMAN: My private opinion was that he was not as good as Mr. Rand. However, perhaps I shouldn't say that.

Sir HENRY THORNTON: You have got me somewhat at a disadvantage in asking me about a thing of this kind, because I know very little about the law, while, Mr. Chairman, you know everything about it.

The CHAIRMAN: The other railway has not anything like as big costs.

Mr. BELL: One lawyer does not consider other lawyers as good as he is.

The CHAIRMAN: Not at all.

Hon. Mr. EULER: Your legal men advise you to go from one court to the other, and you follow their advice?

Sir HENRY THORNTON: You have to take their advice. There is hardly a day that I do not have someone from the legal offices to tell me what our rights are and what our position should be.

Hon. Mr. EULER: It might be a good thing sometimes to get the lay mind at work, instead of the legal mind.

The CHAIRMAN: The only point I have in mind is this. I got a comparative statement of your costs in the legal department and the costs for the Canadian Pacific, and yours are away above theirs. The range of salary is above, and the number of employees is very much higher, I think, too.

Sir HENRY THORNTON: I have not had the advantage of seeing that list and I do not know about it.

Mr. MUNN: Have the Canadian Pacific given you that officially? They are pretty clannish.

The CHAIRMAN: I assure you I have the information.

Mr. DUFF: We were given the information some time ago. One was \$1.91 and the other was \$2 odd.

Mr. FAIRWEATHER: In 1930, the ratio of Canadian National legal expenses to operating expenses was \$2.47 per thousand dollars of expenses. The Canadian Pacific's was \$1.98. I pointed out with regard to our figures that they were prepared strictly according to the Interstate Commerce Commission Classification. With regard to the Canadian Pacific, while I can only surmise, I might say this, that ours include legal expenses of all our separately operated properties and our steamships and American lines; and even, for instance, Mr. Ruel, in the legal department, is available for the legal work of the Canadian Government Merchant Marine and for the Canadian (West Indies) Steamship Company.

Mr. DUFF: Of course the Canadian Pacific Railway has steamships too.

Mr. FAIRWEATHER: Yes, but what I am getting at is that, I think, that \$1.98 of the Canadian Pacific is for their rail lines only. I could not say that definitely.

The only detail I had with regard to them was the report in the Dominion Bureau of Statistics, and, as I say, you cannot always be sure that your comparisons are on a fair basis; but with regard to the United States lines, with which I make the comparison, I am sure that I am on comparable ground because I know our accounts are kept in the same manner as theirs.

Mr. BELL: Sir Henry, do you depend upon your General Counsel, Mr. Ruel, for the appointment of the regional counsel?

Sir HENRY THORNTON: Yes.

Mr. BELL: I would move, Mr. Chairman, that we have Mr. Ruel before us. While the committee feels that this is a department which wants enquiring into, let us satisfy the committee that the legal expenses are not unreasonable.

Sir HENRY THORNTON: I think I might say that Mr. Ruel, in all matters of making appointments with respect to his department, consults myself and the Board, and naturally I rely upon his advice and opinion with respect to what should be done, just as I do and must necessarily do in all departments. If something was proposed which on the face of it seemed an unwise thing to do, we would certainly argue it out between us; but, after all, the law is a highly technical subject and I am not in a position, myself, to express very decided views, and I have to leave questions of that sort to the head of that department, although, as I said before, if there was anything to which I took exception—I have gone over it with him many times—I would go into it with him. If he wants to make a legal appointment, he comes to me and gives me his views and his reasons therefor, and if they seem sound and good, I submit it to the Board for approval.

Mr. DUFF: It is the Board which really appoints them?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: Is it the wish of the committee to have Mr. Ruel appear before the committee? I would like to ask him why he appointed Mr. C. J. Milligan some few years ago.

Mr. POWER: I do not like his name.

The CHAIRMAN: And I would like to understand why he appointed Mr. Rand.

Mr. BELL: I thought you said that Mr. Rand was better than the other man.

The CHAIRMAN: But the circumstances were such as to lead me to believe that his appointment was political. I throw this out, that if Mr. Ruel is coming here I would like him to answer that question.

Mr. BEAUBIEN: The appointments of judges are all political?

The CHAIRMAN: Yes.

Mr. BEAUBIEN: There is nothing wrong with that.

The CHAIRMAN: Why say that there is no politics in appointments.

Sir EUGÈNE Fiset: How many Conservative lawyers have you seen changed since we have been here?

The CHAIRMAN: Ask the question and you will find that the answer is Nil.

Mr. DUFF: Is that the sore spot?

The CHAIRMAN: No, but Mr. Ruel will understand the assumption in the appointment of Mr. Rand, who was brought down to New Brunswick and appointed to a high-priced position, when he had afterwards to be appointed to the Bar of New Brunswick.

Mr. DUFF: Then there were no good lawyers in New Brunswick?

The CHAIRMAN: I do not know about that. If it is the will of the committee, we will call Mr. Ruel.

Mr. STEWART: I think we should have him. I think we should investigate those outside offices. Why with this total expenditure should we have to pay such an amount for outside fees?

The CHAIRMAN: I think the obvious answer is that the regular officers of the department are not qualified to conduct court cases. Is not that the fair inference, Mr. Power?

Mr. POWER: I do not know.

The CHAIRMAN: You would not commit yourself.

Mr. GRAY: I do not think that applies to the central region. I think Mr. Laidlaw is well qualified.

Hon. Mr. EULER: Would this be a fair explanation, that it might be possible to get lawyers who are not so high-priced, if I might use the term, for ordinary, routine work, and when a case comes up which involves a good deal of money it might be worthwhile to appoint an outside lawyer.

Mr. STEWART: They do not seem to have very many low-priced lawyers among the head ones.

Mr. MUNN: A lot of this investigation will be taken in hand by the Duff Commission, and do you not think we are covering the same ground?

The CHAIRMAN: Are you in a position to say that this matter will be covered by the Duff Commission?

Mr. MUNN: At this time the Duff Commission is working.

Mr. MACMILLAN: What are the gentlemen's names, Mr. Rand and who?

The CHAIRMAN: Milligan.

Mr. MACMILLAN: Where does he come from?

The CHAIRMAN: He was Liberal organizer in Quebec in 1894. He came from Saskatchewan where he was in the Land Titles Office where he had been for a number of years after he left New Brunswick.

Mr. DUFF: He may have turned Tory.

The CHAIRMAN: No. He was at one time either in Regina or Saskatoon, in the Land Titles Office.

Mr. POWER: I understand he was a Progressive for some time. He was a lawyer for,—

The CHAIRMAN: No, he was a tall fellow. He never was a lawyer for anybody until he got with the Canadian National Railways. I can tell you that.

Mr. DUFF: Mr. MacMillan says he did not know Mr. Milligan in Saskatchewan so he could not have been a very strong Grit.

The CHAIRMAN: I did not say that he was. When he went to Saskatchewan he was appointed to a position in the Land Titles by the Federal Government. Previous to that he was the Liberal organizer in New Brunswick.

Mr. MACMILLAN: What is this man's title, Mr. Chairman?

The CHAIRMAN: He was Regional Counsel. He is dead now. That isn't one on me. I know all about Mr. Milligan's appointment.

Mr. DUFF: Then you are riding a dead horse.

The CHAIRMAN: No, I am not riding a dead horse. I want to say right here and now that Mr. Milligan's appointment—dead though he may be—was an affront to the lawyers in New Brunswick, and I will tell Mr. Ruel that if I ever meet him, and discuss the matter too.

Sir HENRY THORNTON: General Stewart asked this question:

In regard to the house property in Montreal, does the railway lease any other houses for the use of its officials?

The answer is, "No."

Jamaica Hotel. This is a pretty long statement.

Mr. FAIRWEATHER: Jamaica Hotel

Question 1: "How much money have Canadian National Railways invested in the Hotel at Kingston, Jamaica?—Answer: In the Canada West Indies Hotel Company Limited \$50,000.

Secured Loan to the Canada West Indies Hotel Company Limited \$150,000.

Secured Loan to the Constant Spring Golf and Country Club \$60,000.

(2) Question: When was the hotel opened, and how long did it remain open?—Answer: Opened February 4, 1931—closed June 20, 1931.

(3) Question: Who owns the hotel?—Answer: Canada West Indies Hotel Company, Limited.

(4) Question: Is investment of the Canadian National in this enterprise lost?—Answer: Impossible to make definite answer. Upon a realization of assets there is little likelihood of anything remaining for the 7 per cent convertible notes. The \$150,000 loan to the Hotel Company is secured by a second mortgage on the hotel property. The two notes of \$30,000 each of the Constant Spring Golf and Country Club are secured by \$60,000 6 per cent income gold debentures of the Constant Spring Golf and Country Club. The extent to which these investments are recoverable could only be determined by a realization of the assets.

(5) Question: By what authority was the investment of Canadian National money made in the hotel at Kingston, Jamaica?—Answer: The original subscription of \$50,000, 7 per cent convertible notes was made by resolution of the Executive Committee of the Canadian National Directors January 21, 1929, and approved by the Board of Directors, February 18, 1929. The \$150,000 was authorized by resolution of the Board of Directors September 2, 1930, and approved by Order-in-Council P.C. 2751, December 6, 1930. The \$60,000 loaned to the Constant Spring Golf and Country Club was authorized by resolution of the Executive Committee May 26, 1930, and approved by the Board of Directors, June 9, 1930. Copies of these documents are filed herewith.

Mr. MACMILLAN: Would you mind repeating those dates again?

Mr. FAIRWEATHER: With regard to the Constant Spring Golf and Country Club?

Mr. MACMILLAN: Yes, and the other.

Mr. FAIRWEATHER: The \$150,000 was authorized by resolution of the Board of Directors, September 2, 1930, and approved by Order-in-Council, P.C. 2751, December 6, 1930. The \$60,000 loaned to the Constant Spring Golf and Country Club was authorized by resolution of the Executive Committee, May 26, 1930, and approved by the Board of Directors June 9, 1930. Copies of these documents are filed herewith.

Mr. DUFF: When was the \$150,000 paid over, after the Order-in-Council was passed or before?

Mr. FAIRWEATHER: It was paid on December 30th.

Mr. DUFF: 1930?

Mr. FAIRWEATHER: Yes.

(6) Question: Was the orchestra taken from Montreal on one of the Lady boats to be present at the opening of the hotel?—Answer: Yes.

(7) Question: If so, how long was the orchestra employed and at what cost by way of wages and expense?—Answer: The orchestra was engaged by the Canada West Indies Hotel Company Limited. The Canadian National West Indies Steamship Company, Limited, furnished transportation to the orchestra to the value at regular rates of \$1,080.

The Canada West Indies Hotel Company is not a Canadian National subsidiary, and, of course, we have not got access to their records.

Mr. MACMILLAN: What portion of the capital structure of that company do you own?

Mr. FAIRWEATHER: Very little, practically none of the stock control. We only own, I think, 100 shares of the Common, something like that.

Mr. DUFF: What is the total bond issue.

Mr. FAIRWEATHER: I have a complete statement. Shall I finish this statement?

Mr. DUFF: All right.

Mr. FAIRWEATHER:

(8) Question: Have the management of the railway any information to give the Committee as to the future of the hotel at Kingston, Jamaica?—Answer: The extent to which these assets may be realized on is dependent on the outcome of the receivership instituted by the Jamaican Government as holders of the first mortgage bonds on the hotel property.

Mr. MACMILLAN: Mr. Chairman, right there it seems to me that that is a very bad practice on the part of the railways.

Mr. DUFF: Let us get the total cost of the whole bond issue, if you don't mind.

Mr. FAIRWEATHER: Will it be necessary, Mr. Chairman, to read the resolutions and Order-in-Council?

The CHAIRMAN: No, just put them in the record.

CANADIAN NATIONAL RAILWAYS

Extract of Minutes of Meeting of the Executive Committee of the Board of Directors—January 21, 1929

Reference was made to the financing of the new hotel at Kingston, Jamaica, and to suggestions that the National Railways on account of their interest in having suitable hotel accommodation there should purchase stock in the Hotel Company. After considerable discussion

It was decided that fifty thousand dollars may be spent in purchasing stock in such company.

Extract of Minutes of Meeting of the Executive Committee of the Board of Directors—February 12, 1929

With reference to the purchase of securities issued by the Canada-West Indies Hotel Company Limited in connection with the hotel in Kingston, Jamaica,

It was decided that the Fifty Thousand Dollars previously authorized should be used in purchasing such Company's convertible notes at Ninety-seven Cents on the Dollar subject to One Thousand Five Hundred Dollars more or less of said amount being used for advertising and similar purposes.

Extract of Minutes of Meeting of the Executive Committee of the Board of Directors—May 26, 1930

It was unanimously resolved that an advance of not exceeding Sixty Thousand Dollars may be made to the Constant Springs Golf and Country Club, Kingston, Jamaica, for the purpose of providing a water supply for the Golf Club and the new hotel now under construction, the intention being that there will be issued by the said Club to the Company its six per cent Debenture Bonds at par to the amount of such advance, together with ten shares of Class "A" common stock and five shares of Class "B" common stock with each One Thousand Dollars par value of bonds.

Extract of Minutes of Meeting of the Executive Committee of the Board of Directors—September 2, 1930

The President informed the meeting that on account of the general financial position delays have occurred in connection with the underwriting for the Canada-West Indies Hotels Company securities, with the result that the construction funds having been exhausted it was necessary a few days ago, in order to prevent cessation of work, for the National Railways to advance Fifty Thousand Dollars against an assignment of the subscription of the Mount Royal Hotel Company for that amount of said securities. The President further stated that in view of the West Indies Steamships services provided under the West Indies Trade Agreement, it was felt that the interests of the Government and the National Railways would have been prejudiced had not the advance been made.

The matter was considered and unanimous approval was given to the making of the advance; also to the execution of an agreement on the subject between the Railway Company, the West Indies Hotel Company and the Mount Royal Hotel Company.

The President further informed the meeting that pending completion of the above underwriting it may be advisable that further temporary advances not exceeding One Hundred and Fifty-five Thousand Dollars should be made by the Railway Company for the same purpose and that in such case repayment of any such additional amount would be secured by one or more satisfactory notes of responsible underwriters.

It was unanimously decided that subject to any necessary approval by order-in-council an additional advance of not exceeding One Hundred and Fifty-five Thousand Dollars may be made.

Certified to be a True Copy of a Minute of a Meeting of the Committee of the Privy Council, Approved by His Excellency the Governor General on 6th December, 1930.

The Committee of the Privy Council have had before them a report dated December 5, 1930, from the Minister of Railways and Canals, submitting:

1. That the Canada-West Indies Hotel Company, Ltd. (hereinafter referred to as "the West Indies Company") is a company incorporated under The Companies Act and subject to the laws of Canada with powers to construct and operate hotels and to carry on certain other business.

2. That the West Indies Company constructed or has in the course of construction a resort hotel on land of the West Indies Company situate near Kingston, Jamaica, and which land and buildings thereon are hereinafter referred to as "the hotel property."

3. That in 1929 the Canadian National Railway Company (hereinafter referred to as "the Railway Company") became interested in the hotel project of the West Indies Company, as in the next preceding statement referred to and subscribed toward the same the sum of \$50,000, receiving in return therefor 7 per cent convertible notes of the West Indies Company in an equivalent amount and which notes may be converted into preferred stock of the West Indies Company, when issued, carrying as a bonus 100 shares of the common stock of the West Indies Company.

4. That the West Indies Company has been in negotiations with the Railway Company for a loan of \$150,000 from the Railway Company to be secured by a second mortgage on the hotel property payable on or before the 1st day of December, 1935, with interest thereon at the rate of 5 per cent per annum to be computed from the date of the said mortgage and payable half-yearly on the first day of June and the first day of December in each year, and also with interest at the rate of 5 per cent per annum upon any of the said payments of interest that shall not be paid when due, and to this end the West Indies Company has agreed to mortgage to the Railway Company the hotel property under a second mortgage, in terms as per draft form of mortgage hereto attached marked "A".

5. That by Resolution dated the second day of September, 1930, the Executive Committee of the Railway Company approved of an advance to the West Indies Company of an additional amount not exceeding One Hundred and Fifty Thousand dollars. A certified copy of the said Resolution is hereto attached marked "B".

6. That the hotel property is now mortgaged in favour of the Colonial Secretary of Jamaica, acting on behalf of the Government of Jamaica, British West Indies, under a first mortgage securing the payment of 5 per cent Thirty-year Gold Debentures of the Hotel Company in the amount of £40,000 guaranteed by the said Government.

The Minister submits the above and, on the advice of the Management of the Railway Company, recommends that Your Excellency in Council approved of the Railway Company loaning to the West Indies Company the sum of \$150,000, to be secured by a second mortgage on the hotel property in terms as set out in the draft form of mortgage hereto attached marked "A", and of the Railway Company accepting the said mortgage in such form as may be approved by the Vice-President in charge of legal affairs of the Railway Company.

The Committee concur in the foregoing recommendation and submit the same for approval.

(Sgd.) E. J. LEMAIRE,

Clerk of the Privy Council.

COPY

" A "

MORTGAGE UNDER THE REGISTRATION OF TITLES LAW 1888 (JAMAICA) AND
LAW AMENDING THE SAME

Whereas The Canada-West Indies Hotels Company Limited, a corporation duly incorporated under the Laws of the Dominion of Canada, having its head office in the City of Montreal, hereinafter called the "Company", herein acting by J. Carlton Brown, its Vice-President, and Vernon G. Cardy, its Secretary, hereunto duly authorized in virtue of by-law No. 2 of the Company and by resolution of the Directors of the Company passed at a meeting held on the seventeenth day of November, A.D. one thousand nine hundred and thirty, is registered under the Registration of Titles Law 21 of 1888 (Jamaica), and any Laws amending the same by certificate of title dated the fourteenth day of October in the Year of our Lord, one thousand nine hundred and twenty-eight, in Volume 49, Folio 88 in the Register Book of Titles as the proprietor of an Estate in fee simple in the possession of and in the lands hereinafter described, subject to the encumbrances notified hereunder, and

Whereas Canadian National Railway Company, a company duly incorporated under the Laws of the Dominion of Canada, hereinafter called the "Railway," has agreed to lend to the Company the sum of \$150,000, and

Whereas the Company has agreed to grant unto the Railway a second mortgage upon the property hereinafter described as security for the said loan of \$150,000;

Now therefore this instrument witnesseth as follows:

1. The Company hereby acknowledges to have received from the Railway the sum of \$150,000, which capital sum the Company hereby promises to pay to the Railway or its assigns in gold coin of the Dominion of Canada of the present standard of weight and fineness on or before the first day of December, A.D. one thousand nine hundred and thirty-five, with interest thereon at the rate of five per cent per annum to be computed from the date hereof and payable half yearly on the first day of June and the first day of December in each year, and also with interest at five per cent per annum upon any of the said payments of interest that shall not be paid when due.

2. The Company in consideration of the foregoing loan of \$150,000 and as security for the payment of the said capital sum and interest as aforesaid, doth by this instrument of mortgage made under the Registration of Titles Law, 1888 (Jamaica), and Laws amending the same, mortgage unto the Railway forever the following property, to wit:

All those two parcels of land formerly part of Constant Spring Estate in the Parish of Saint Andrew, the one containing twenty-four acres, two roods and thirty perches, and the other containing fifty-three acres and butting and delineated as appears by the diagram thereof annexed and in the said certificate of title and the buildings, structures and fixtures now standing and being or hereafter to be erected and built thereon, subject to the following encumbrances:

- (a) The mortgage in favour of the Colonial Secretary of Jamaica acting on behalf of the Government of Jamaica, British West Indies:

- (b) The right of the West India Electric Company Limited to run its lines and cars:
- (c) The lease of a small parcel of land to E. J. Wortley.

3. The Company covenants with the Railway that it has a good title to the said lands and has the right to mortgage the said lands to the Railway as aforesaid and that on default the Railway shall have quiet possession of the said lands, free from all encumbrances, except those herein mentioned, and subject always to the encumbrances herein mentioned.

4. The Company covenants that it will at all times maintain and keep in good order, condition and repair, the hotel buildings, structures, fixtures, fences, gates and improvements upon the said lands, and will allow the Railway, its agents and servants at all reasonable times during the continuance of this security, to enter and view the state and condition of the mortgaged premises.

5. The Company covenants that it will at all times during the continuance of this security, keep the hotel buildings, structures, fixtures and improvements erected upon the said mortgaged lands which are of an insurable nature, and also the equipment and furniture thereof, insured against loss or damage by fire, hurricane and earthquake to the full insurable value thereof, and will duly pay all premiums for that purpose, and will produce to the Railway for inspection if and when required, such policies and such premium receipts.

6. The Company covenants that it will pay all taxes and assessments on the said lands after the same have become due, and will exhibit receipts to the Railway if and when required.

7. The Company covenants that it will keep proper books of account and will permit the Railway to inspect them at all reasonable times.

8. It is specially agreed that if the Company shall fail to pay any instalment of the said interest due hereunder, or be in any other way in default hereunder, the whole amount owing hereunder shall become due and exigible at the option of the Railway ninety days after the Railway has sent a written notice by registered mail specifying such default or defaults, addressed to the Company at its head office at Montreal, Quebec, Canada, unless before the expiry of the said ninety days the said default or defaults have been remedied by the Company.

Dated at Montreal, Quebec, Canada, this day of ,
in the year One thousand nine hundred and thirty.

The Corporate Seal of the Canada West Indies Hotels Company Limited was on behalf of the Company affixed to the foregoing mortgage by J. Carlton Brown, the Vice-President of the said Company, and Vernon G. Cardy the Secretary of the said Company at the City of Montreal, Quebec, Canada, on the day of , A.D. One thousand nine hundred and thirty, and delivered in the presence of

Dominion of Canada
Province of Quebec

Be it remembered that on the day of in the Year of our Lord One thousand nine hundred and thirty, at the City of Montreal, in the Province of Quebec, in the Dominion of Canada, before me the undersigned Notary Public, in and for the said Province of Quebec, came and appeared of the said City of Montreal, the attesting witness to the due execution of the foregoing mortgage, and who being by me duly sworn, made oath and said that he was present and did see the corporate seal of The Canada

West Indies Hotels Company Limited affixed to the said mortgage and the said mortgage signed by J. Carlton Brown, the Vice-President of the said Company, and Vernon G. Cardy, the Secretary of the said Company, at the City of Montreal, in the Province of Quebec, in the Dominion of Canada, on the day of , A.D. one thousand nine hundred and thirty, as and for the proper act and deed of the said Company for the purposes therein mentioned.

Extract from Minutes of Meeting of the Executive Committee of the Directors of the Canadian National Railway Company

Held in the Company's offices in the City of Montreal on
September 2, 1930.

The President informed the meeting that on account of the general financial position delays have occurred in connection with the underwriting for the Canada-West Indies Hotels Company Limited securities, with the result that the construction funds having been exhausted it was necessary a few days ago, in order to prevent cessation of work, for the National Railways to advance Fifty Thousand Dollars against an assignment of the subscription of the Mount Royal Hotel Company for that amount of said securities. The President further stated that in view of the West Indies Steamships services provided under the West Indies Trade Agreement, it was felt that the interests of the Government and the National Railways would have been prejudiced had not the advance been made.

The matter was considered and unanimous approval was given to the making of the advance; also to the execution of an agreement on the subject between the Railway Company, the West Indies Hotel Company and the Mount Royal Hotel Company.

The President further informed the meeting that pending completion of the above underwriting it may be advisable that further temporary advances not exceeding One Hundred and Five-five Thousand Dollars should be made by the Railway Company for the same purpose and that in such case repayment of any such additional amount would be secured by one or more satisfactory notes of responsible underwriters.

It was unanimously decided that subject to any necessary approval by Order in Council an additional advance of not exceeding One Hundred and Fifty-five Thousand Dollars may be made.

Certified to be a true Extract.

(Sgd.) R. P. ORMSBY,
Secretary.

Seal.

Mr. FAIRWEATHER: The liabilities of the Canada-West Indies Hotel Company, Limited, consisted of \$150,000 second mortgage bonds due the Canadian National Railways; \$194,000 of 5 per cent Gold Debentures; \$389,100 of 7 per cent convertible notes; and that is what would be called the borrowed capital.

The CHAIRMAN: Where are the first mortgage bonds?

Mr. FAIRWEATHER: Fifty-five thousand pounds is the amount of that.

Mr. DUFF: \$250,000?

Mr. FAIRWEATHER: \$266,750.

The CHAIRMAN: And those are the first mortgage bonds?—A. Those are the first mortgage bonds.

The CHAIRMAN: Well, now, when was this hotel started to be built, and when was it necessary to put in that \$150,000 for which you got second mortgage bonds. Had the project neared completion, and did we have to put up the money in order to complete it?

Sir HENRY THORNTON: My recollection of that is this, that the proposal was made—I don't quite know where it originated—that a hotel should be built on the site of what is known as Constant Spring. There was a hotel in Kingston itself not far from the waterfront, called the Myrtle Bank, which was owned by the United Fruit Company, and the proposal was made I think by certain individuals in Kingston that the Jamaican Government should interest itself and assist in the construction of another hotel at a higher altitude which would be more comfortable for guests and which would furnish some competition with respect to this hotel which was owned by the United Fruit Company. Back of that all lies a struggle which had been going on for a good many years between the independent banana producers in Jamaica and the United Fruit Company. There had been charges on both sides, that the United Fruit Company being in possession of the only transportation facilities that amounted to anything in and out of Kingston used their control in and out of Kingston for the purpose of extracting ruinous prices from the producers of bananas, and there had been a long acrimonious controversy going on in Jamaica between the United Fruit Company on the one hand and the independent producers on the other, and when the treaty was negotiated between the Dominion Government and the Government of Jamaica, one of the main objects which the Government of Jamaica had, I think, was to meet the competition, or the monopoly—perhaps that would be a better word to use—of the United Fruit Company. That treaty is familiar to all of you, and as the result of that treaty there was established this line of boats now known as the “Lady” boats.

Shortly after that was decided, or perhaps shortly before the Lady boats came into operation, this hotel project came forward and it was more or less backed by the Government of Jamaica itself, and finally some of those who were interested in the United Hotel Company formed this new company in Jamaica which was known as the Canada West Indies Hotel Company. At any rate, that hotel company was formed and was financed by certain individuals who were interested in United Hotel Companies, and the Jamaican Government. The Jamaican Government put up, as you have seen, what has already been told you, some fifty-five thousand pounds, and the construction of the hotel started. As it was nearing completion it became evident that the funds available were not sufficient to complete the hotel, and an appeal was made to the Canadian National Railways to assist in completing it, the justification on our part being the interest which we had in Jamaica in the banana trade and in these new Lady boats which would, of course, carry, it was hoped, a large number of tourists to Jamaica.

Now, that is the reason the Canadian National Railways and the Government of Canada of the day got into the picture, to try to help out the completion of this hotel, and to a measurable degree help out also the Jamaican Government. These various things were all more or less wrapped up in the whole project.

I have just given you in a very broad and general way how the thing appeared and the reason for it.

Mr. MACMILLAN: Did the Government of the day know anything about that investment at that time?

Sir HENRY THORNTON: Oh, yes.

Mr. MACMILLAN: The Canadian Government?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: What was the original investment?

Sir HENRY THORNTON: I am talking about the investment in the hotel.

The CHAIRMAN: Was that authorized by the Government of Canada, and if so, when, and was there an Order in Council?

Mr. FAIRWEATHER: The Order in Council setting forth the \$150,000 recites the \$50,000, and the Minutes of the Board, of course, are sent to Ottawa for the information of the Minister.

Sir HENRY THORNTON: I think the Government of the day in Canada knew of the transaction, did it not?

Mr. FAIRWEATHER: All I can say is that the Secretary of the Company forwards the Minutes of the Directors' Meeting to Ottawa. The \$150,000 was approved by Order in Council.

The CHAIRMAN: Let us go back to the \$50,000. When was it put up and under what authority? It is a capital investment and under the Statute cannot go through, as I understand it, without express government authority.

Mr. FAIRWEATHER: Well, I think perhaps if I read this chronological history of the thing—I have a condensed chronological history here. Will it be satisfactory to read it?

The CHAIRMAN: You ought to be in a position to say if that \$50,000 was ever authorized by the Government, expressly authorized by the Government of Canada.

Mr. FAIRWEATHER: The first mention of the Jamaica Hotel occurs in 1926, October 1926. It was at a Directors' Meeting, and:

After discussion it was decided that when the increase in traffic on the West Indies Steamships warranted the matter of a hotel in Jamaica might be considered.

Executive Committee on the 25th July, 1927:

Mr. Gardner referred to the necessity of taking care of passengers travelling to the West Indies and stated that he understood that the Government of Jamaica might aid in the construction of a hotel at Kingston. It was felt, however, that at the present time there was little possibility of the Canadian National either building a hotel of its own or aiding others towards such an end.

On the 13th September, 1927:

Major Bell was asked to discuss with the Minister of National Defence the advisability of purchasing a site for a future hotel (to cost \$50,000—\$60,000) before it was bought by a competitor.

Mr. POWER: The Minister of National Defence?

Mr. FAIRWEATHER: He was probably acting Minister.

On the 18th February, 1928:

The President referred to the expectation that a hotel would be built by the United Hotels Company at Kingston, Jamaica.

Executive Committee of the 6th June, 1928:

Reference made to progress of construction of hotel and golf course in Jamaica.

On the 21st of January, 1929:

After discussion it was decided that \$50,000 might be spent in purchasing stock in the hotel company.

The CHAIRMAN: What date is that?

Mr. FAIRWEATHER: The 21st of January, 1929.

The CHAIRMAN: Well, now, was that looked upon as an authorization and did they, on the basis of that, go ahead?

Mr. FAIRWEATHER: I cannot answer as to that.

On the 12th February, 1929:

It was decided that the \$50,000 previously authorized be used to purchase convertible notes of the Canada West Indies Hotel Company Limited. The price agreed upon was 97 cents on the dollar, and \$1,500 was to be used for advertising, etc.

26th August, 1929:

Transfer of above securities to Canadian National Realities Limited. Canadian National Realities Limited is a holding company completely controlled by the Canadian National Railways.

26th May, 1930:

Unanimously resolved that an advance of \$60,000 be made to the Constant Spring Golf and Country Club, Kingston, to provide water supply for the Golf Club and the new hotel.

Mr. GEARY: How much is that, and where?

Mr. FAIRWEATHER:

Unanimously resolved that an advance of \$60,000 be made to the Constant Spring Golf and Country Club to provide water supply for the golf club and the new hotel.

The CHAIRMAN: That is another concern?

Mr. FAIRWEATHER: It is a separate company, sir.

The golf club will issue to the Canadian National Railway its 6 per cent debenture bonds at par to this amount, together with 10 shares of class "A" common stock and five shares of Class "B" common stock with each \$1,000 par value of bonds.

That was on the 26th May, 1930.

Mr. MACMILLAN: Is that a separate concern from the hotel company?

Mr. FAIRWEATHER: Yes, but the stock of it is controlled by the hotel company.

Sir EUGENE Fiset: Did that bond issue cover both the \$50,000 and \$60,000?

Mr. FAIRWEATHER: I have mentioned no bond issue yet, sir.

Sir EUGENE Fiset: You did a moment ago.

Mr. FAIRWEATHER: The \$150,000 was in addition to those two items?

Sir EUGENE Fiset: Read the report again.

Mr. FAIRWEATHER:

The golf club will issue to the Canadian National Railway its 6 per cent debenture bonds at par to this amount, together with 10 shares of class "A" common stock and 5 shares class "B" common stock with each \$1,000 par value of bonds.

24th September, 1930:

Reference was made to the preparation of the necessary Order in Council to ratify the above.

The CHAIRMAN: When was the \$50,000 paid? When was the \$60,000 paid to the golf club, and had the \$150,000 been paid on the 2nd September, 1930?

Mr. FAIRWEATHER: The \$150,000 had not been paid. The \$150,000 was paid on December 31, 1930.

The CHAIRMAN: It had been expended prior to that, and was it required to complete the hotel?

Mr. FAIRWEATHER: Had what been expended?

The CHAIRMAN: The \$150,000?

Mr. FAIRWEATHER: I cannot say as to that.

The CHAIRMAN: Well, it must have been because the hotel was opened immediately afterwards.

Mr. FAIRWEATHER: I cannot speak of that as having knowledge.

The CHAIRMAN: The truth of the matter is that they had to pass an Order in Council and confirm the payment of the money because the money had been expended long anterior to that Order in Council, and they had to do so or they couldn't open it.

Hon. Mr. MANION: I did not hear the first part of the discussion, but I am very familiar with the hotel and probably I should just say a word about it.

When we came in, it was explained to me that the Canadian National Railways had backed up the United Hotels Company to go into this hotel, and Sir Henry always took the attitude—both verbally and in writing—that the Canadian National Railways was not in any way legally responsible for this hotel, but he came to me or sent somebody to me—I don't remember which—and pointed out that they needed another \$150,000 in addition to the \$60,000 on the golf course, to put the hotel in working order, if you will.

The CHAIRMAN: Ready for opening.

Hon. Mr. MANION: Yes, and then he came to me and I took it up with the Council, on the ground—I think the chairman is a little wrong in this—that it was not because of the need of opening that we took that attitude, but my attitude was this, that the Jamaican Government had taken a first mortgage and had guaranteed bonds to the extent, I think of \$300,000, £60,000, in round figures; that we were mixed up, through the Canadian National with the Government of Jamaica, and because of that, and to avoid any misunderstanding, we agreed finally to put up that \$150,000 on a second mortgage, second to the first mortgage of the Jamaican Government. That was done. Then later the railways came back and said that there was another \$70,000 required and that the Jamaican Government offered to put it up provided they could add it to their original first mortgage, that is, put it ahead of our second mortgage. That again was consented to by Order-in-Council, I think. We consented to it at any rate.

Mr. MACMILLAN: Was that money put up?

Hon. Mr. MANION: Oh, yes, the Jamaican Government put that up. Now, that was as far as it went. Then the hotel was opened and ran for some months, I don't remember how long, probably six months.

Sir HENRY THORNTON: About that.

Hon. Mr. MANION: And the present position of the hotel is this,—so far as we are concerned—I am not talking of anything else except as it affects us—since then the management of the United Hotels, Mr. Dudley particularly, and some of his representatives, came to me on several occasions and said there were various accounts outstanding amounting to \$250,000, in round figures, partly for operation and partly capital purchases; and they wanted us to put up this \$250,000, to get the hotel in good financial condition. I absolutely refused to do it, and Sir Henry wrote me a letter, which I have among my papers, taking the attitude that the Canadian National was in no way liable for any money. He took the same attitude as I there, that we should not put up any more money, and we adhered to that. There has been a great deal of complaint from the island of Jamaica, both officially and unofficially, claiming that we were morally behind this hotel, and that we should come through with this \$250,000. We have adhered to our original attitude that we would not put up any more. We figured already we had got into it to the extent of \$250,000

plus \$60,000 which paid for the new golf course, and that we had gone far enough with it. Sir Henry backed me in that, and took exactly the same attitude. The hotel to-day, I believe, is going to be sold by the Jamaica government under foreclosure.

Mr. MACMILLAN: Are you going to put in a bid?

Sir HENRY THORNTON: The statement of the Minister is fairly correct. I have consistently said to the Minister what he has repeated to you, that we have no financial or moral obligations to do more than we did. What we did was merely for the purpose, or largely for the purpose of promoting trade in Jamaica and amiable relations between the Dominion of Canada and the government of Jamaica, and my feeling was just as the Minister has said; that we had done all that imperial fraternity would require.

Hon. Mr. MANION: I entirely agree. May I just add another remark? Mr. Anderson, the solicitor of my department, just pointed this out to me, which I should like to add to make the story complete from our standpoint. There was so much complaint from the island of Jamaica, both officially and unofficially, officially through the External Affairs Department, claims being made that we were not only morally liable, but we were legally liable, I mean, that the Canadian National Railways were not only morally liable, but that they were legally liable. I myself appointed Mr. Anderson to go into the files. I had already gone through them very thoroughly myself. I did not think we were legally liable, whatever promises might have been made by the two representatives who were down there on behalf of the Canadian National Railways, Mr. Brown and Mr. Gill Gardner. But at any rate, I could find no record of Sir Henry Thornton doing anything further than merely supporting it. I asked Mr. Anderson, our representative, to make an investigation. He went through the files in Ottawa, and went down to Montreal and went through the files there, and then he went down to Jamaica at my request, and made an investigation there. The statement had been made that the government of Jamaica had a telegram from Sir Henry saying that the Canadian National Railways were really liable for this. I particularly asked Mr. Anderson to try to get track of that telegram that was continually being quoted, but which I did not believe existed. I think I am stating the position correctly when I say that Mr. Anderson could find no such telegram. He did find that Sir Henry had wired on two or three occasions urging them to go ahead with the hotel; that he believed the United Hotel people were good people and that the Canadian National would give every support to it, which it did, as a matter of fact. I say quite frankly that in my opinion, not only the Canadian National, but the Canadian Government went much farther than it needed to have gone. I am under the impression that we need not have gone nearly as far as we have gone, judging from anything that we have record of. That is the whole picture.

Mr. KENNEDY: Why has it fallen through? Was it because of bad management or just the depression?

Sir HENRY THORNTON: I think you can attribute most of it to general depression, and further, from the fact that the tourist business has been pretty well shot to pieces. Instead of getting the number of people they expected to get there, they have not had anybody, practically. I think the fact is the hotels in Jamaica are suffering the same as elsewhere.

Mr. MACMILLAN: Did those negotiations start primarily with the railway company or with those two directors, or by those two directors?

The CHAIRMAN: By the director who was wintering in Jamaica.

Sir HENRY THORNTON: As I understand the situation, I think the project really originated in Kingston, itself, partly with certain prominent people there, and partly with the support of the Jamaica government itself. The project

to build the hotel in Jamaica did not originate with me, or certainly not with the Canadian National. And when the suggestion was first made, I think this was the first proposal, that we should build this hotel in Jamaica; that is, the Canadian National should do it. I refused point blank and absolutely to have anything to do with it. But I did say if you build the hotel, we will assist you in every moral way that we can. We will be glad to display your advertising matter in hotels and on our trains and give you all of the assistance that we can, providing that we do not have to put any money into it.

Mr. MACMILLAN: When these investments of the National Railways outside of Canada are decided, are they always submitted to the Government of the country. Can the National Railways make investments outside of Canada with our money without submitting it to the Government?

Hon. Mr. MANION: Perhaps I had better put in another word that Mr. Anderson brings to my attention. He points out that in 1912, or some years ago at any rate, there were some discussions between the Government of Canada and the government of Jamaica in regard to the building of a hotel, but that in 1925 when a trade agreement was made, no mention was made of the hotel in any way, so that there is nothing in the treaty to justify the building of the hotel. But I think I should just say this as well, since I have made this statement, that I do believe, after having gone through the files, and Mr. Anderson just drew it to my attention again, that Mr. Brown and Mr. Gill Gardner did go very far in encouraging the people of Jamaica to go into this hotel business. And if they were in the position of being responsible, as Sir Henry Thornton is, for example, for the actions of the Canadian National Railways, then I would say that the National Railways were certainly morally liable. They were speaking largely on their own, so far as I can find out. But without any doubt they encouraged in every way, by sending telegrams and by word of mouth, the building of the hotel. And it is because of Gill Gardner's and Brown's actions that a great many people of Jamaica seem to think that the Government of Canada should come to their rescue.

Mr. KENNEDY: Who is Brown?

Hon. Mr. MANION: He is an official of the Canadian National Railways.

Sir HENRY THORNTON: He was connected with the Government Merchant Marine and Steamship Department. Of course a number of more or less prominent people of Canada have gone to Jamaica during the time that this project was under consideration, and there seems to be something in the atmosphere down there which provokes a degree of optimism.

Mr. FRASER: In the atmosphere?

Sir HENRY THORNTON: It may have been the fog, perhaps, and a good many enthusiastic statements were made about the happy relations which should exist between the Dominion of Canada and Jamaica. I would like to say that no one had any authority to bind this company in any way on anything with respect to commitments in Jamaica.

Mr. MACMILLAN: I asked a question, Mr. Chairman, as to whether the Canadian National had authority to make capital investments outside of Canada.

The CHAIRMAN: No; they have no authority to make a capital investment anywhere, without the Government's consent. That is right in the statute.

Mr. MACMILLAN: Why do they do it?

The CHAIRMAN: They must get the authority of the Governor in Council.

Mr. KENNEDY: Have they the authority under the Governor in Council?

The CHAIRMAN: Look at the Canadian National Railways Act, chapter 172 of the Revised Statutes of Canada. The company is authorized under section 27:

“ With the approval of the Governor in Council, acquire, hold, guarantee, pledge and dispose of shares in the capital stocks, bonds, notes, securities or other contractual obligations whatsoever of any railway company, or of any transportation, navigation, terminal, telegraph, express, hotel electric, power or of any other company authorized to carry on any business incidental to the working of a railway, or any business which in the opinion of the Board of Directors may be carried on in the interests of the Company.”

This is section 29 of the old Act, 1919

Sir EUGENE Fiset: I would point out, Mr. Chairman, that the procedure was different last year and has been different for the last two years. There was a special bill brought to the House which covered those capital expenditures on the part of the Canadian National Railways.

The CHAIRMAN: I know that. That has not always been the law; that is the general law. My opinion of this is, the first \$50,000 and the second \$60,000, if they were not authorized by the Governor in Council, were illegal expenditures on the part of the railways.

I would like to know if the original \$50,000 was authorized by the Government, and the second one.

Mr. POWER: If you are going to have a highly paid legal man here to-morrow, ask him. Mr. Ruel is going to be here, ask him.

The CHAIRMAN: I did not know we decided to ask him to come.

Hon. Mr. MANION: Mr. Anderson might answer that question.

Mr. POWER: He is not getting half that salary.

Hon. Mr. MANION: He happens to be familiar with this, because as I said, I appointed him specially to investigate it.

Mr. ANDERSON: I could not find any order in council authorizing the \$50,000. I was not looking for it particularly.

Hon. Mr. MANION: There was one for the \$60,000?

Mr. ANDERSON: I am inclined to think there was; I was not looking for that point particularly.

Mr. GEARY: How did the auditor pass it?

The CHAIRMAN: I suppose they have to answer that.

Sir EUGENE Fiset: Was the \$50,000 paid out of income or out of capital expenditure? I think the first \$50,000 was paid out of income.

The CHAIRMAN: It is capital expenditure nevertheless, and is within the terms of the statute.

Sir HENRY THORNTON: With respect of the legality of those items, I suppose and in fact I am quite certain, that the Board that day sought and obtained legal advice through the counsel of the company, and I suppose probably what was done has some legal defence. I am not a lawyer, and I don't know. We followed the counsel and advice of the legal department of the company. I will look into those two points.

The CHAIRMAN: There is a suggestion that the first \$50,000 was not an investment, but that it was a loan.

Sir HENRY THORNTON: There seems to be some question as to the legality of those two payments. If you will give me until to-morrow I shall investigate it.

The CHAIRMAN: Gentlemen, it is now six o'clock—

Mr. McGIBBON: Before you adjourn I should like to draw your attention to my motion. I made a motion and I would like you to put it to the committee.

The CHAIRMAN: What was that?

Mr. McGIBBON: I put a motion in your hands at one o'clock to-day?

The CHAIRMAN: Do you want it dealt with now?

Mr. McGIBBON: No. I want the other one dealt with.

Mr. GRAY: What was it?

Mr. McGIBBON: Mr. MacMillan and I went to Montreal a couple of days ago and asked for certain information. We waited for two weeks and I think it is long enough.

The CHAIRMAN: What is your answer to the memorandum?

Mr. GRAY: Let us hear it, and then the committee will know what it is all about.

The CHAIRMAN:

Confirming verbal request made as a result of a partial examination of headquarters expense accounts, we would ask you to furnish the sub-committee enquiring into the same with the following: (a) Copies of expense vouchers, and supporting statements showing the itemized amounts, for the years 1930 and 1931 for the officials enumerated below. The name of the official might be left off, so long as the voucher is keyed to the letter designated placed opposite each name. The receipts attached to the voucher need not be copied but where these occur, the letter "V" might be shown opposite the corresponding item to indicate that a voucher was filed to support the expenditure. In the case of officials not required to submit receipts, a notation to such effect might be made on the account.

Then follows a list of names. Do you want me to read them? I shall read them if you like.

Mr. GRAY: Certainly. We are entitled to the same information as the sub-committee had.

The CHAIRMAN: A—Col. Hiam, B—Dr. McCombe, C—W. D. Robb, D—G. A. Gaston, E—C. W. Johnston, F—W. S. Thompson, G—G. H. Lash, H—G. F. Goldthwaite, I—A. J. Hills, J—R. B. Teakle, K—P. M. Butler. Also from other regions: L—C. G. Bowker, M—W. J. Barber, N—C. J. Smith.

We would also like to receive a statement showing for the years 1930 and 1931 the amounts, not included in the expense accounts of officials, expended for the operation of private and business cars while in the service of such officers, including provisions drawn from stores. The expenses of the President in this connection should be stated separately.

It is desired also to have furnished copies of the monthly statements of disbursements in the years 1930 and 1931 from the so-called Hobbs and Shaw Trust Account, showing for each item of \$25 or over the destination and purpose of the payment, briefly stated. It may be that you will have to refer this request to Mr. Hobbs in whose custody the accounts appear to be.

It will be appreciated if the copies of vouchers for those at headquarters are furnished as soon as possible, following later with those referred to from other regions.

(Signed)

T. R. MACMILLAN,
PETER MCGIBBON.

Mr. GRAY: What does our record show that we authorized the sub-committee to do? I do not recall that they are authorized to go into 1930.

The CHAIRMAN: We authorized them to enquire into the year 1931, that is my recollection.

Resolved: That a sub-committee, composed of three persons, present members of the Railway and Shipping Committee, shall be appointed by the Chairman of the said committee to investigate the expense account of officials, particularly for the year 1931; that the auditors of the company be instructed to assist them and to make such segregation and analysis of said accounts and vouchers as the sub-committee shall direct; and that a report shall be made at such date as said sub-committee shall direct; and further that said auditors be instructed to furnish such clerical assistance as shall place them in a position to report as aforesaid.

Hon. Mr. EULER: Is there a motion before the committee now?

The CHAIRMAN: That is the resolution that was put through by the Committee on that date.

Hon. Mr. EULER: I understood Dr. McGibbon to say that he had submitted a resolution. Is there a resolution?

The CHAIRMAN: No. He had submitted a memorandum for information along the line that I have read. It is directed to Mr. McLaren, the comptroller. What Dr. McGibbon is asking now is that the information asked for in that memorandum be supplied.

Hon. Mr. EULER: I would like to ask is the information that Dr. McGibbon asks for in accordance with the powers conferred upon the sub-committee? I am asking for information.

The CHAIRMAN: As you say, he asked for two years, and the resolution was only for one. I think that is the only difference.

Mr. McGIBBON: There is just this about that resolution. It was stated that an investigation of the sub-committee into the year 1931 might progressively go back to 1930.

The CHAIRMAN: It might.

Mr. GRAY: Mr. Chairman, my suggestion is this: we have appointed a sub-committee, and the resolution speaks for itself. Now, if that committee cares to bring in a report saying they cannot get that information, let them bring it in.

The CHAIRMAN: I suggest you do not appreciate their position. They went down to Montreal, as I understand, and made some examination. They were accompanied by officials from the Finance Department who were familiar with railway accounting. I think Mr. Roberts was with them—

Mr. GRAY: They spent one day down there.

The CHAIRMAN: I do not know how long they spent. They spent some time, anyway, and they made some investigation, and then they requested this information in writing. This information has not been produced. I think Sir Henry Thornton wants to make a statement on it.

Sir HENRY THORNTON: I simply want to know what the committee wants me to do.

Mr. GRAY: I think my point is well taken, Mr. Chairman. It is up to the sub-committee to bring in their report and if they want to bring in a report that they cannot get the information, then we can deal with that report when it is brought in. It is up to them to fulfil their task as best they can. If they cannot fulfil it, then bring in a report that they cannot.

The CHAIRMAN: As I understand the situation it is this. They have done certain work, and they have asked for certain information which has not been forthcoming. That is their request, and they ask the committee to deal with it. Is that right, Dr. McGibbon?

Mr. MCGIBBON: I might say that we were received with great courtesy down there by the officials, who gave us everything we asked for. We received that information, and we think this committee should have this information; in order to protect ourselves, we do not wish to make a verbal report when we have not got the evidence behind it to back it up. I think the committee should have that; I think it is public property. The officials down there did not hesitate to give it to us. They were very gentle and very courteous, and gave us anything we asked for. I think in order to protect ourselves in case we be accused of making wild statements, we ought to submit evidence on our statements to the committee. The committee can then do what they like. That is their business. We certainly do not wish to bring back a report here without being able to substantiate it. That is very important.

Mr. DUFF: Would the information contained in the memorandum be supplied to the sub-committee, and then they could bring in a report and tell us what they find.

The CHAIRMAN: That is exactly as I understand the position.

Mr. MACMILLAN: Mr. Chairman, as the other member of the committee, I should just like to confirm what Dr. McGibbon has stated. We were treated with the outmost courtesy in Montreal by the officers of the company. They were kind to us and did give us anything we asked for. I agree with his statement as to the written reports; that we should not make any report without being able to substantiate it by documents. We have asked for those documents, but have not got them. I do not know why.

The CHAIRMAN: I think the position is fairly clear. The committee went down there and did some investigating. Then they asked for certain information. I think there is a disposition on the part of the management not to produce the information unless this committee says so. Is that a fair statement of the position?

Sir HENRY THORNTON: I think so.

The CHAIRMAN: What is the wish of the committee in regard to it, having regard to the resolution which we have already passed.

Mr. DUFF: I should like to know why the information should be given, and why it should not be given, if it should not be given. We cannot decide the question on the information we have now.

Mr. BEAUBIEN: Was not that decided some time ago in the committee? Did you not have to cast a deciding vote in that regard some time ago, Mr. Chairman?

The CHAIRMAN: I think not. The resolution in force is the one I read a few moments ago appointing a sub-committee to go to Montreal to get the information that they asked for; but it relates only to the year 1931, because I took the ground, and I think properly so, that only the accounts for 1931 were before the committee.

Mr. MCGIBBON: I think you also took the ground that in getting a comparison for 1931, it would naturally lead back to 1930. I do not think we should have any information that this committee should not have. We have it.

The CHAIRMAN: I think the ground I took was if you went into 1931, it was inevitable that you would have to have a comparison with 1930.

Mr. MCGIBBON: I do not think that we are entitled to anything that any other members of the committee are not entitled to. I do not want to be put in that position. I think that every member of this committee is entitled to it, and

they should have it, and it is up to the committee to do whatever they like with it.

Hon. Mr. EULER: In the first place, they ask Mr. Chairman for the year 1931, and 1930 to make a comparison. I would suggest that they get the year 1929 and 1928 to make a comparison. I think in the first place it would be unwise if the sub-committee of which I was an inactive member, or did not accept it, if you like to put it that way, did not confine themselves to what they were authorized to do. There is also this to be considered, the members of the committee stated that they obtained the information.

Mr. McGIBBON: We want to give it to you.

Hon. Mr. EULER: If you think the committee ought to have it, you have opportunity to give it. It seems that this committee feels they should give us that information for the records, but want the officials of the road to do it for them. Then, there is another point I should like to mention, since we are making comparisons. Last year there was also a committee, of which you were a member, Mr. Chairman, of five members authorized to get certain information, some of which I think is included in what is asked for to-day. It was then felt advisable, and I think rightly so, that that information was not to be given to the full committee for reasons which I think were very good.

The CHAIRMAN: Did not that relate to salaries, Mr. Euler?

Hon. Mr. EULER: Yes.

The CHAIRMAN: I do not recall it covered this subject matter at all.

Hon. Mr. EULER: I think it did, Mr. Chairman. We decided then it was not advantageous or advisable to have the information given to the sub-committee bluntly broadcast in this committee. I am still of that opinion. I do not see what good public service can be rendered by broadcasting it.

The CHAIRMAN: Can we not sum it up in this way—

Hon. Mr. EULER: If the sub-committee have that information and they say they have it, it certainly should not be taken for granted that that information should be broadcast throughout Canada. I cannot see what good it is going to do the National Railways; I cannot see what harm is done if it is not broadcast. I think the committee should very very carefully consider this matter before taking information which may be very detrimental to the public interest, and broadcasting it all over the country.

Mr. GRAY: Then, following up what Mr. Euler says, I think the same thing applies in principle. I remember last year—I was not on the sub-committee. Mr. Euler was and you, Mr. Chairman, were, and you reported to us certain findings that you made, and then Mr. Chaplin brought out the report which we submitted to the House, making certain recommendations in that report, certain recommendations embodied in it from the findings of your sub-committee, ascertained in their investigation. We were pleased as a committee to accept Mr. Chaplin's action in that regard. Now, in connection with the matter before us, I understand that the railway officials, the Board of Directors, and the Board of Management, as I understand Mr. Boys, are dealing with the matter as quickly as they can. I think if Mr. MacMillan and Mr. McGibbon have found something, it should in a general way be passed on to the Board and the management, and we as a committee would be glad to incorporate that in some way in the general report, on the advice of the Chairman. I know I would be glad to do that. As far as the sub-committee is concerned, they should now deal with the information they have obtained, complete their task, and bring in their report.

The CHAIRMAN: I think there is a misunderstanding. With reference to last year I would like to say this, that my recollection is that it was confined wholly to the question of salaries. Am I not right, Mr. Chaplin?

Hon. Mr. CHAPLIN: No.

The CHAIRMAN: This year the committee has passed a resolution in the terms I have read relating to expense accounts. In the course of their investigation the special committee have got certain information. They are asking now in writing to the Comptroller for certain additional information. Is that correct?

Hon. Mr. EULER: We want it in writing from the officials.

The CHAIRMAN: Perhaps I am under a misapprehension.

Mr. McGIBBON: If I may anticipate what we have to put in the report, I may say that we went to Montreal and we got a very courteous hearing. We found, of course, that there was nothing there but head office accounts—Vancouver, Winnipeg, Detroit, Toronto, Moncton, were not there. We took at random a number of accounts and asked for the vouchers, and I must say that we got some startling information which I think the committee should have. We did not confine ourselves last year to one year; we got information from 1928 to 1929 or from 1929 to 1930. There is not precedent to go by. All these roads are owned by the people, and I claim that the people have a right to this information. This is no secret society I hope. I do not think I am entitled to anything which the other members of the committee are not entitled to, but I would like to have on record, or behind us at least, vouchers for these accounts so that when we make our report we will have something to go on.

The committee adjourned to meet Wednesday, May 4, at 4 o'clock p.m.

Room 231,

May 4, 1932.

The Select Standing Committee on Railways and Shipping met at 4 p.m., Mr. Hanson presiding.

The CHAIRMAN: Mr. Dunning is here in response to a telegram from the Secretary of the Committee under instructions from the Committee, and in deference to the fact that he is an old Privy Councillor, an old Member of the House and an ex-Minister, I feel that we should call him first and discharge him after he has given his evidence.

Mr. DUFF: Why not have Mr. Décary first.

The CHAIRMAN: I am only doing it out of courtesy to Mr. Dunning.

Hon. Mr. DUNNING: I am at this Committee's disposal to-day, Mr. Chairman. Just do as you like with me.

The CHAIRMAN: I suggest we call Mr. Dunning first.

Hon. CHARLES A. DUNNING, called.

The CHAIRMAN: Mr. Chaplin wants to ask Mr. Dunning certain questions. I will be glad if he will now proceed.

By Hon. Mr. Chaplin:

Q. During what period, Mr. Dunning, were you Minister of Railways and Canals? Do you remember the period when you came into office and when you quit?—A. To the best of my recollection, March, 1926, with an interregnum in 1926, sworn in again in September, 1926, and resigned as Minister of Railways in November, 1929.

Q. Part of that time though, you were unwell, and did anybody occupy the position of Acting Minister?—A. It seems to me that I had to leave the House of Commons in May, 1929, and I was not back on active duty—as I think members of the Committee know—until October of that year. I was in the hospital most of the time and convalescing.

Q. During the period that you were Minister the contract that the Government had with Sir Henry Thornton for and on behalf of the Canadian National Railways, expired, and had to be renewed. I presume you can tell us something about the renewing of that contract. You remember the occurrence, I presume?—A. Very well.

Q. You signed the contract for the Government?—A. Yes.

By the Chairman:

Q. Did you negotiate the contract, Mr. Dunning?—A. Yes.

By Hon. Mr. Chaplin:

Q. The contract itself embodied all the leading clauses of the old contract; there were only one or two slight changes, one in respect to salary. Do you remember what changes there were?—A. I cannot specify the changes in detail.

Q. There were very few details?—A. I am very familiar with the new contract because I spent a lot of time over it.

Q. During the discussion of that contract, did you ever hear anything about a proposal by anybody of a bonus of \$100,000 likely to be proposed to Sir Henry Thornton?—A. Yes.

Q. Was that from the Board of Directors?—A. In 1928 the late Major Graham Bell, who was then Deputy Minister of Railways, and the representative of the Government on the Board, intimated to me that the Board, or some member of it—I would not say it was the whole Board—were discussing a proposal to pay Sir Henry Thornton a substantial bonus in recognition of the success which he had attained as President of the Canadian National Railways. The reason the matter was discussed with me was because there was some doubt in the minds of those who were proposing it as to whether the Board under the law would have authority to do such a thing.

The CHAIRMAN: And under the contract.

The WITNESS: Well, that is, of course, the same thing.

The CHAIRMAN: Well, hardly.

The WITNESS: The contract was with the Government. I expressed the view that the Board had no such power in view of the law and the contract and it ended there.

By Hon. Mr. Chaplin:

Q. That is all I want. In other words, the matter came to your attention and was rejected?—A. Yes, I think that is a fair statement.

Q. That is a fair way to put it. I don't want to put any words in your mouth?—A. Of course, in fairness to Sir Henry Thornton perhaps I should say that he also intimated to me that he had rejected the proposal.

Q. I am glad to have that explanation. At any rate, as far as you and the Government were concerned the matter of a bonus was not considered any more?—A. Right.

Q. At that time were you aware of any payments being made to Sir Henry Thornton by any subsidiary company of the Canadian National Railways?—A. I was not aware of the details of payments to him at that time, no. I did presume that the expenses of the general officers might well be distributed, but I had no knowledge of the detail.

Q. For example, there was the Central Vermont Railway, and you were not aware that he was receiving a salary from the Central Vermont, or from any other subsidiary company, by way of salary or emolument?—A. No, I was not aware of that.

Q. Were you aware, or was it discussed in your presence, of any arrangement or any contract, that he should have a free house?—A. No, but the matter of providing a house was submitted to me in 1928. Well, submitted is hardly the word, if you will permit me, Mr. Chaplin.

Q. Absolutely.—A. It must have been shortly after the bonus discussion that Major Graham Bell intimated to me that there were those on the Board of Directors who desired to see the President of the Canadian National Railways provided with an official residence. The arguments for so doing were put before me, and in view of the fact that purchasing such a property would, of necessity, be a capital expenditure, and, therefore, would have to go into the estimates to be approved by the Minister and subsequently by parliament, I was asked how I would view such a proposal, and I intimated that I could not approve the inclusion of a sum in the estimates for that purpose.

By the Chairman:

Q. Would that be in 1928 or 1929?—A. 1928.

Q. May I interject, Mr. Dunning, to call attention that the first record of which we have any knowledge was September 17, 1929?—A. Well, I am very positive about 1928, because I know I was in the hospital in 1929.

By Hon. Mr. Euler:

Q. That referred to a proposed purchase?—A. Quite, with reference entirely to a proposed purchase.

By the Chairman:

Q. And you rejected the suggestion?—A. Well, I rejected the suggestion in this sense, that the purchase of a house could not be included in the capital estimates, at least I would not approve of it being so included; that is, a sum for the purchase of a house.

By Hon. Mr. Chaplin:

Q. While you were Minister did a proposal to lease or rent a house for the President of the Road come before your attention?—A. The proposal to lease was never submitted to me. As a matter of fact the Board of Directors would not require to submit to the Minister a proposal to lease anything; but I remember distinctly on my return after my illness in, I would say, October, 1929, the late Mr. Robb—I hesitate to introduce his name—naturally informed me of matters which had been going on in connection with the Railway Department during his period as Acting Minister, and among those matters was that the Directors of the Canadian National Railways were still of the opinion that a house should be provided and that they were investigating the possibility of leasing a house, which was quite within their competence to do under the law. That knowledge came to me, it would be in the month of October, about the month of October, 1929.

By the Chairman:

Q. After your return to your duties?—A. Yes, after my return to my duties.

By Hon. Mr. Chaplin:

Q. Well, of course, I do not know whether you have become in any sense acquainted with the record here, but I can tell you that the Hon. James A. Robb's name has been brought into the discussion before you brought it in. You are not the first to bring his name into it.—A. Mr. Robb was aware of the idea of leasing. I was made aware of it immediately on my return to duty.

By the Chairman:

Q. By him?—A. By him.

By Hon. Mr. Chaplin:

Q. I have heard that you had approved of it personally, and as the Minister of Railways and Canals it has been stated that you approved of it, and I wanted to hear what you had to say in reference to this matter.—A. Well, the approval of the Government, Mr. Chaplin, or the Minister, is given in only one way. It is given by Order in Council. I will stand by any official document which I signed that signifies approval. In the absence of any document signifying approval, I think that speaks for itself.

By the Chairman:

Q. You take the view, then, that the only way that formal approval could be given would be by Order in Council?—A. An Order in Council would not be necessary under the law—as I think the present Minister will confirm—for the leasing of any property by the Board of the Canadian National Railways. They are doing it as a matter of ordinary business in connection with anything which transpires regarding the business of the road which, in their judgment, demands that kind of action; but with respect to a capital expenditure, that would have to go to the Minister.

Q. That is the distinction?—A. Oh, yes.

By Hon. Mr. Chaplin:

Q. On page 103 of the printed evidence of the Committee, there is presented to the Committee a message sent out by Sir Henry Thornton and directed to Moore of Geneva, which is, no doubt, Mr. Tom Moore, one of the old directors and one of the present directors of the Canadian National Railways. I will read the telegram:—

MONTREAL, April 20, 1932.

Moore, Canada of, Geneva.

Questions being raised in Committee of House as to payments and allowances made by Directors in addition to straight salary covered by contract especially in view limitation as to salary contained in said contract. My understanding is that at time contract was made in 1929 entire matter was discussed with Minister Railways and it was understood Board of Directors were free to grant at their discretion other annual payments and allowances, as for instance payment to me from Central Vermont and Grand Trunk Western, and could also at their discretion provide free house, and in pursuance thereto action of Directors was taken accordingly covering items above. Would appreciate cable from you setting out if this is your understanding and confirm my understanding that above is in accordance with the facts.

(Sgd.) THORNTON.

Now, I do not need to read the answer, but I would like to know generally what you have to say in reference to that, because the Minister of Railways, I presume, is yourself. I don't quite understand from my own point of view, I don't believe that you knew some of the things that were there said and I wanted to get your own point of view in regard to it.—A. Well, I notice over the page the statement which I authorized Sir Henry Thornton to make in that regard which I can confirm in every detail.

Q. Yes, sir, I read that.—A. And that is:—

The salary contract with Sir Henry Thornton provided for \$75,000 annual salary and also provided that reasonable expenses should be paid. The Board of Directors have exactly the same authority over Sir Henry Thornton's expenses as over all expenses of the Canadian National System.

Now, really, Mr. Chairman, I cannot express it more tersely.

Q. I read that, and reading the two together I cannot conceive that you could comply in effect to the writing that was set down here, and I just wanted to get your view on that because your name is mentioned there as Minister of Railways, and that is one reason why I asked you to come here, otherwise I would never have asked you to come.—A. The understanding, Mr. Chairman, with reference to the contract, is very clear. I was very anxious to have a contract which was beyond cavil as to its meaning, and very clear. Sir Henry was equally anxious and the result is the document you have before you. It speaks for itself.

Q. Absolutely, I believe it was pretty nearly iron-bound and that is one reason why I am asking you. Now, I do not think, Mr. Chairman, that I need go any further. I have elicited all I want to know, and I do not think I have anything more to say to Mr. Dunning whatever.

By the Chairman:

Q. Mr. Dunning, you have told us that you knew nothing about the \$5,000 from the Central Vermont, and the similar amount from the Grand Trunk

Western?—A. It depends upon what they were for. If the Board of Directors decided, then or at any other time, to say that \$5,000 from this company should be allocated to Sir Henry Thornton for his expenses, they would have a perfect right to do that and that would not be in contravention of the contract.

Q. Let me call your attention to the fact that all the contracts have set a specific sum as salary and covering all services and all emoluments?—A. Yes.

Q. Now it has been established beyond question that there were sums which, I think, aggregate \$30,000 which were paid to Sir Henry Thornton, made up of several \$5,000 items and a \$15,000 item. Were any of those passed by you as Minister of Railways and given your sanction informally or otherwise?—A. No, they would not require to be if they fell within the terms of the expense provision of that agreement.

Q. They were not expenses but they were straight salary of subsidiaries?—

A. The contract speaks for itself.

The CHAIRMAN: The contract covers that of course.

By Hon. Mr. Euler:

Q. For example, as to the payment of a salary by the Central Vermont and the Grand Trunk Western, was it within the legal power of the Board of Directors to pay those salaries?—A. I appreciate the compliment, Mr. Euler, but I am not a lawyer.

Q. I will change that. Was it, in your opinion, within the powers of the Directors?—A. I do not believe that the Directors had any power to pay Sir Henry Thornton in the form of salary any more than the sum stipulated. The expenses on a railway are rather different from the expenses of an ordinary individual; and if they decided to make an allowance for a specific kind of expense or to cover this or that which was a reasonable expense, then they had a right to do it.

By the Chairman:

Q. Then it was within the contract?—A. Quite. But so far as salary was concerned, as a salary matter, in the framing of the contract and approving of it by the Government the salary was to be \$75,000.

By Mr. Duff:

Q. Mr. Dunning, what was your policy as Minister of Railways concerning any purchase which the Canadian National Railways might make?—A. I did not have anything to do with that. I did not interfere with that.

Q. You did not interfere in any way with the purchases by the Canadian National Railways while you were Minister of Railways?—A. No. I had a great many allegations from you, Mr. Duff, that a great many Tories were getting business from the Canadian National Railways—the same as I doubt not the present Minister has complaints that a great many Grits have been getting business from the Canadian National; but that was not my business.

Q. That is the reason I have asked you?—A. I treated you the same as anybody else.

Q. And you said that there was no political interference?—A. Exactly. I do not think any one who is here will allege that they got any different treatment.

Mr. POWER: Then you were not as good a Minister of Railways as the present Minister.

The CHAIRMAN: Has anybody else any question to ask Mr. Dunning? If not, we will be glad to discharge Mr. Dunning; but there is ample opportunity to ask him any question.

Mr. DUNNING: I would request that the committee get through with me to-day, if possible. All of to-day is at your disposal, but I wish to get back.

The CHAIRMAN: This is the opportunity and the only opportunity, I apprehend, to ask Mr. Dunning anything on this inquiry. If nobody has any question to ask Mr. Dunning, we will be glad to excuse him from further questions.

Hon. Mr. CHAPLIN: And discharge him.

The CHAIRMAN: Yes.

Hon. Mr. EULER: In the interests of economy, I suggest Mr. Dunning do not take any witness expenses.

The CHAIRMAN: Mr. Dunning should be treated in exactly the same way as any other witness.

Mr. POWER: Let him go home by the next train.

Mr. BEAUBIEN: May I say, Mr. Chairman, that it is worth a great deal to see his smiling face again.

The CHAIRMAN: You pay the bill.

Hon. Mr. DUNNING: I might say, Mr. Chairman, that I was a little alarmed yesterday when I received the telegram, by reason of the fact that it was marked "collect." I want to absolve the clerk from any blame in that connection.

The CHAIRMAN: Was my name signed to it?

Hon. Mr. DUNNING: No.

The CHAIRMAN: Then I will be absolved too.

Mr. DUFF: That also was in the interests of economy, and that was once that the Canadian National got the advantage over the Canadian Pacific Railway.

Hon. Mr. DUNNING: And in reply I sent my answer collect, so that we were even.

The CHAIRMAN: The clerk gave orders to have the telegram forwarded charge.

ERNEST R. DÉCARY, called and sworn.

By the Chairman:

Q. Will you please tell your name, address and occupation?—A. Ernest R. Décary, Chateau Apartments, Montreal, President and Director-General of the Title Guarantee Company.

The CHAIRMAN: Mr. Power, you asked for this witness, and he is at your disposal.

Mr. POWER: Did I ask for this witness?

The CHAIRMAN: Unquestionably.

By Mr. Power:

Q. Then, Mr. Décary, as a matter of courtesy I might question you in French. Would you prefer it to be in English?—A. I think everybody would understand it better.

Q. I do not know what particular information we wish to have from you, Mr. Décary, except if you would give the committee some of the details of the transaction involved in the leasing of a house to the Canadian National Railways, which house is now used as a residence by the President of the Railway?—A. Well, gentlemen, as you are aware, as you have been told, I was a Director of the Canadian National Railways from 1922 to the end of the year 1930. I think in the fall of 1928 or in 1929 there was some discussion at the Directors' meetings of the purchasing of a house for the President of the Railway, Sir Henry Thornton.

By the Chairman:

Q. Who instituted the discussions?—A. Well, I would not remember, sir; I could not, really.

Q. Did you?—A. No, sir.

Mr. POWER: If he is my witness, I am going to ask that he be allowed to tell his story.

The CHAIRMAN: I can cross-examine him later.

The WITNESS: I may say that I was against the purchase of a house for the president, because, as I told the Board at the time, the president comes and goes, and when the president is gone we might be landed with a house which would not suit the next president of the railway; but that I did not have any objection to leasing a house, to voting for the lease of a house.

I understood at the time, notwithstanding what Mr. Dunning said, that the Minister was aware of such discussion. I may say that at every Board meeting the Deputy Minister of Railways is present, and reports, I was told, to the Minister a great deal of what is done. He is practically the representative of the Minister of Railways on the Board. At that discussion I know that the Deputy Minister—I think when it was first started it was Mr. Henry who was Deputy Minister—was at the Board meeting. After it had been decided to rent the house for Sir Henry, Sir Henry was asked to look around and see what house he wanted to have rented; and he finally decided, after looking around, that he could not do much better than the house he was in.

During the discussion with the Board, as I was supposed to know a little more about real estate than the others, I was asked if Sir Henry could purchase the house he was in, if I could finance it. And after we rented it, I said, I would, provided the property was bought at a right price. I followed a good deal of the negotiations between Sir Henry and Mr. Beardmore. I think Mr. Beardmore wrote a long letter to Sir Henry stating that his house was worth \$300,000, but to Sir Henry Thornton he would sell it for \$250,000.. Sir Henry asked what I thought of it, and I said: Can't buy it at that; somebody will be landed with the house at the end of the lease, and if I am going to be financing you, I want something which will not be a loss to anybody; so that if you cannot buy that house at a cheaper amount, we might as well forget it.

Negotiations went on well on to 1930, in the spring of 1930, and at last, after consulting with me, Sir Henry made a definite offer to Mr. Beardmore of \$175,000. That was well known to the whole Board of Directors. Mr. Beardmore answered: Will accept your proposition, or something like that, provided you buy the furniture that is in the house for \$10,000 to make in all \$185,000, subject to the right by Mr. Beardmore to move a certain amount of furniture that he mentioned. I said to Sir Henry: If the Board approves, I am willing to stand behind it and finance the purchase of that house at \$185,000 and turn it over to the railway as a tenant, for you.

Some time afterwards I met Mr. Donaldson, the manager of the Montreal Trust; I do not know if I met him on the street or if I simply telephoned to him; and I told him what was in the air. I said the railway wants to rent the house; the house will cost \$185,000; if you supply the money, Mr. Séguin of my office will purchase the house and will rent it to the Canadian National Railways for 8½ per cent plus taxes, repairs and upkeep, and you will get 6½ per cent on your money, and the difference between 6½ and 8½, because it goes increasing every year, will be yours for amortization, and I will stand behind it, I will guarantee the performance of this duty. Mr. Donaldson said: Well, you send me a letter to that effect and it will be all right. I wrote him a letter to that effect in June, which was accepted by Mr. Donaldson.

On the 15th June there was a meeting of the Executive Committee. The president was going away west, he had accepted the purchase price. The price at that time stood as all in the name of Sir Henry Thornton. The committee meeting was held in his own office, in his private room. At that meeting there were Mr. Ruel, the chief solicitor of the railway, Mr. Rayside; there was Mr. Smart, the Deputy Minister of Railways, representing always the Minister; there was Mr. Henry, Mr. Gardner, and myself, outside of the president, whom I forgot to mention, and the secretary, Mr. Ormsby. The whole transaction was explained to the committee. I told the committee we would have to pay $8\frac{1}{2}$ per cent because that house is going to deteriorate in the next ten years; the lender won't lend on a straight loan without having payments; and the property will be placed in the name of Mr. Séguin, from the office of Décary, Barlow and Joron.

It was adopted that we buy the house, and I was appointed by them a committee of one to see that the wishes of the Board were carried out.

At the time I told Mr. Ormsby, if you will allow me, I will have our legal department prepare the resolution so that it will not be turned down by the Montreal Trust after the lease, in proper legal terms that they want. I will submit it to you; then I will send it back to you and you can submit it and enter it in your books. Then Sir Henry left right after that.

The CHAIRMAN: That took place on the 16th of June?

Mr. DÉCARY: Yes.

The CHAIRMAN: According to the minute filed by Sir Henry Thornton—

Mr. POWER: I am not through with the witness.

The CHAIRMAN: I just asked this as a matter of dates.

Mr. POWER: If he is my witness, I insist on having him as long as I want to get information from him. Mr. Décary, will you go on please.

Mr. DÉCARY: May I refer to my file? Subsequently I took the matter up with the Royal Trust Company, who were acting for Mr. Beardmore. I told them that the option given to Sir Henry was accepted.

Mr. POWER: What date was that?

Mr. DÉCARY: In June. I have a letter here of 26th June to the Royal Trust.

Mr. POWER: Addressed by you to the Royal Trust Company.

Mr. DÉCARY: Yes. We asked for the deed, and we started to examine all documents, and to give orders to our legal department and the Title Guarantee to prepare the sale from Mr. Beardmore represented by the Royal Trust to Mr. Séguin. This took quite a long while. I see that on July 9, I forwarded to Sir Henry a document for him to sign, saying:—

I wish to advise you that I hereby transfer to George Henri Séguin all my rights in the option I have to purchase Fred M. Beardmore's property at No. 1415 Pine Avenue West, Montreal, and I would ask you to have the deed of sale made in the name of Mr. Séguin.

This was sent to the Royal Trust asking them if they had any objection to make a deed of sale to Mr. Séguin. Mind you, at that time Sir Henry was away west. I sent that away west to be signed.

Mr. POWER: Let me ask you when the option from the Royal Trust Company representing Mr. Beardmore to Sir Henry Thornton was signed.

Mr. DÉCARY: I cannot tell you that. I think it was done by wire or correspondence, I do not know.

Mr. POWER: It was sometime prior to July 9th?

Mr. DÉCARY: Oh yes, I think it was in May. I think the offer of Sir Henry was prior to May or early in May.

Mr. POWER: Certainly it was prior to the meetings of the Board of Directors held in June?

Mr. DÉCARY: Oh it was away in May. I have a letter here from the Royal Trust dated 31st May, 1930, to E. R. Décary, M.P.:—

DEAR SIR,—Sir Henry Thornton has agreed to purchase Mr. Beardmore's property on Pine Avenue at a price of \$175,000 payable cash on the signing of the deed of sale. He has also agreed to purchase the contents at a price of \$10,000. However, certain articles are not to be included in the sale; these are referred to in a letter from Mr. Beardmore to Sir Henry Thornton dated 29th November, 1929, and the paragraph relative thereto reads—

And certain articles of furniture are specified.

The title was quite complicated, in part there was an illegal abutment on Sir Henry Holt's lot next to it, and part of the driveway to Sir Henry's property formed part of the park, did not belong to Mr. Beardmore, and we wanted to have that rectified. By the 18th of July they said they were ready. They wrote:—

We return Notary Hector Décary's draft deed of sale to Sir Henry Thornton or nominee in respect of property kown as civic No. 1415 Pine Avenue West, Montreal, which we have examined and approved subject to the following amendments.

Then certain amendments were specified.

The sale was made for a consideration of \$175,000 cash and an extra \$10,000 additional for certain furnishings. In our opinion the clause under the heading of "price" should be amended accordingly.

Then a letter was written to Mr. Donaldson, dated 24th June, 1930, reading as follows:—

DEAR MR. DONALDSON,—Referring to our conversation of the other day in connection with the Beardmore property on Pine Avenue, I or my nominee subject to my personal guarantee will purchase the above property for \$185,000 cash, the property subsequently to be rented to the Canadian National Railways for ten years at a price representing $8\frac{1}{2}$ per cent per year, net, outside of taxes of any kind, repairs and improvements.

You will make a loan for this amount of \$185,000 for ten years, at $6\frac{1}{2}$ per cent, the difference between the amount of difference paid and $8\frac{1}{2}$ to be applied as a sinking fund on the amount of the loan. Your Company will be given a first Mortgage on the property and an absolute transfer of the Canadian National lease as guarantee for the loan.

We should be in a position to complete this transaction during the first days of the month of July. Will you please advise if this is convenient to you.

Mr. POWER: If I may interrupt, the 2 per cent which was characterized here yesterday as being your graft?

Mr. DÉCARY: So I believe.

Mr. POWER: You have not participated in that graft, needless to say?

Mr. DÉCARY: Not yet.

The CHAIRMAN: The ten years have not elapsed.

Mr. POWER: May I ask, was there any graft to anyone in this thing.

Mr. DÉCARY: No sir, not that I know of.

Mr. POWER: Any commission?

Mr. DÉCARY: No sir, no commission. And as it is always good to have things well understood, any commission that would have been paid on this would have been paid either by the Montreal Trust or by Mr. Beardmore or by the Royal Trust, his agent. I give you my declaration that there was no such commission. You can ask them, they ought to be able to tell you.

Mr. POWER: I am asking you that because your conduct in this matter was characterized by the Chairman as being a breach of trust, and there was an intimation from some other members of the committee that you had accepted or received or in some way obtained 2 per cent by way of graft or commission or remuneration for yourself. I am asking you now if you will state definitely—

Mr. DÉCARY: I must state that I read with a great deal of pain last night the reports that were made in very big letters in all the Montreal papers—I would certainly feel grateful if the papers would give as much prominence to to-day's proceedings as they did to yesterday's, in justice to myself.

Mr. POWER: May I interrupt to ask the Chairman if he will ask the newspapermen to give as much prominence to to-day's proceedings as to his remarks yesterday.

The CHAIRMAN: I think you can take that for granted. That is, all the proceedings. We are not through yet.

Mr. POWER: To this section of the proceedings at least.

The CHAIRMAN: Yes.

Mr. POWER: Now I think, Mr. Décary, you were continuing your story, I am sorry to have interrupted.

Mr. DÉCARY: The examination of titles continued, and we were ready to sign all deeds just around the time the elections came on. The elections, if I remember aright, came on the 28th of July. Then Sir Henry Thornton was coming back from the west. He was to be here on the 6th or 7th of August. So I delayed the matter until his return. Also I may say that as you said yesterday, the resolution of the Board at the meeting of the 16th had not been entered in the books. I had in the meantime prepared such a resolution which I sent to our Mr. Ormsby. I am afraid I have not a copy.

Mr. POWER: You had prepared such a resolution in order that it should be in proper legal form as required by the Trust Company?

Mr. DÉCARY: Yes. I think I have it here somewhere.

The CHAIRMAN: It is in the record now anyway.

Mr. DÉCARY: I have a copy of the resolution. I do not know if you put exactly that one. There was a resolution prepared. Anyhow there was a meeting on the 8th of August. Meantime Mr. Séguin was going away on his holidays, so I said to him, "You better sign these deeds before you go, because the transaction will likely be completed before you come back." I think he went away about the 2nd or 3rd of August. On the 7th of August, Mr. Manion was sworn in or appointed Minister of Railways, I think. On the 8th of August the meeting of the committee took place. I do not think Mr. Smart was there, but Mr. Ruel the chief solicitor was there, Mr. Gardner, Sir Henry and myself, and I do not know if Mr. Rayside was there, I do not remember. The resolution that you have on record was passed on that date. I think it was the 6th or 7th, I may be making a mistake of a day or so. It must have been the 6th the meeting took place.

The CHAIRMAN: The resolution says the 7th.

Mr. DÉCARY: Well the sale was on the 8th, the resolution could not be the same day. On the 8th of August I received a cheque from the Montreal Trust to the order of Mr. Séguin for \$185,000. As Mr. Seguin was away and could not endorse the cheque, and the Royal Trust were clamouring for their money, I

telephoned my bank and I said, May I endorse that cheque on behalf of Mr. Séguin and deposit it with you, and I will issue another one right away by the Title Guarantee to the Royal Trust for the same amount? It is just the money passing through our hands for a sale. I said, When Mr. Séguin comes back I explained to Sir Henry that I did not mind him taking the house at any time, but if I die in the meantime I do not want my estate to be encumbered with the thing for the rest of their life. So, I said, it is only fair that you should immediately make up your mind if you want the house or not, and if not they will be free to sell it subject to your lease to whoever may want to buy it, and clean up the estate.

As far as this transaction is concerned I think that is all there is to say, so far as I know. The rental is paid regularly by the Canadian National Railways to G. H. Séguin, and the money is in turn paid over in full to the Montreal Trust.

Mr. McGIBBON: Mr. Chairman, may I ask a question or two.

The CHAIRMAN: Yes. Is Mr. Power through?

Mr. POWER: Yes, I am through for the time being.

Mr. McGIBBON: Your lease to the Canadian National was for a rental of \$15,725 a year, 8½ per cent?

Mr. DÉCARY: Yes.

Mr. McGIBBON: Plus insurance and taxes, in other words it was to be returned at the end of the tenth year in as good condition as you bought it. Isn't that correct?

Mr. DÉCARY: The usual wear and tear excepted.

The CHAIRMAN: It does not say so.

Mr. McGIBBON: It does not say so.

The CHAIRMAN: May I read the provision of the lease; clause 5:—

To leave and abandon the hereby leased premises at the expiration of the present lease in as good order and condition as they were at the time the lessee took possession thereof.

Mr. McGIBBON: If you only pay the fair price for it is it not a plain statement of fact that 2 per cent on that is being paid them every year.

Mr. DÉCARY: On the loan, yes.

Mr. McGIBBON: Then in ten years the house has amortized to a certain extent?

Mr. DÉCARY: Yes, sir.

Mr. McGIBBON: And that is to your profit isn't it?

Mr. DÉCARY: I would not say it is to my profit. Your building will go down in value, it will not be worth more than the amount of the original purchase price less the 2 per cent.

Mr. McGIBBON: Well that is not necessarily a statement of fact. My statement is this, that you did get 2 per cent profit, is not that correct.

Mr. DÉCARY: Yes. Against that, let me explain, the Railway or Sir Henry is at perfect liberty to say to Mr. Décaré: This house to-day is worth \$175,000. In ten years from now—

Mr. McGIBBON: I will come to that later. Assuming that you are only getting a fair rental, that you want to supply a house, why did you not continue to pay the rent at \$600 a month, which would only amount to \$7,200 without taxes? Why did you put the country to about \$18,000 expense when \$7,000 would have supplied the same house? Was that fair to the tax payers of Canada.

Mr. DÉCARY: I am one of twenty directors.

Mr. McGIBBON: But you are the main man.

Mr. DÉCARY: I would not say that.

Mr. McGIBBON: Well, as a director—

Mr. POWER: Let the witness answer.

Mr. DÉCARY: If you will allow me to say, I agreed to finance the proposition of the Board.

By Mr. McGibbon:

Q. Well, did anyone else have anything to do with it but yourself?—A. The whole Board did the renting of the property, not me.

Q. They confirmed it?—A. No, sir.

Q. Do you mean to say the whole Board—A. The whole Board didn't confirm. The whole Board agreed to rent the house at $8\frac{1}{2}$ per cent of what it would cost to purchase. When the purchase price was agreed upon, then I was asked to finance it.

Q. Yes, but didn't you tell us a little while ago that you arranged to get the money from the bank and arranged that the rate was going to be $6\frac{1}{2}$ per cent? Now, is that not a fact?—A. I told you that after the house had been purchased, after the price had been agreed upon, the Board decided to rent the property. Then subsequent to the 15th of June I arranged the financing of that property.

Q. That is just what I say, you did the whole thing?—A. No, no.

Q. Until it got up to the Board for approval?—A. No, no. I object to that, sir. I did the financing of the house. I had nothing to do more than a member of the Board for the renting of the property.

Q. Well, now, what financing did you do?—A. I told you at first that I was against the purchasing myself of the property.

Q. What financing did you do? You said you did the financing. What financing did you do?—A. The financing—finding a lender who would be willing to lend the whole amount of \$185,000 to buy the house.

Q. Well, I will admit that you would not find very many lenders of that kind, would you?—A. No.

Q. And you were the only one that arranged that kind of an agreement, and there was two per cent profit. Now, that is a fair statement of fact, is it not?—A. I object to that word "profit," sir, because your profit will appear, your profit will exist at the end of ten years provided the house at that time is worth more than \$185,000 less amortization. You don't know that, I don't know that, nobody knows it.

Q. Your very agreement stipulates that it must be worth that.—A. Oh, no. I may say this house will have to be in the same position, but properties at that time may have gone down. The value of Pine Avenue as a residential district may have gone to the devil. They are now talking of putting electric cars and buses on it. From a high class residential property with houses worth at least \$100,000 it may become a very ordinary street like Sherbrooke Street; you don't know what it will be.

Q. Or it might go up?—A. It might go up, but I think at the present time there isn't much chance of it going up.

By the Chairman:

Q. You took a gamble on it anyway?—A. No, sir. I think the gamble is on the other foot, because the railway has a perfect right to go to Décary and say—Décary, this house is worth more than is due on it to-day and we want it; and I have got to give it to them.

Q. That was only an afterthought, that was not incorporated in the lease.—A. Well, but that—

Q. That was a private matter between you and Sir Henry Thornton.

By Mr. McGibbon:

Q. Wasn't that an afterthought?—A. I was asked afterwards if I would do that and I said yes I would have no objection.

Q. Will you please listen to my questions and answer them? Wasn't that an afterthought after the Government had been approached—A. No, that was not what brought this letter into effect.

Q. But it came on after that? If you don't know, I can tell it to you.—A. I didn't have anything to do with it, sir.

Q. Why, when you could have got this same house for a rental of \$7,000 without taxes, did you put the country into an expense of about \$18,000?—A. At that time Mr. Beardmore told Sir Henry Thornton that the house was going to be sold. I think Sir Henry has a letter in his file where Mr. Beardmore wired or where Mr. Beardmore says—If you will not decide to buy the house within such a time my offer is off because I am going to sell it to someone else. I don't know but Mr. Beardmore might have been doing a little lying.

Q. He did not tell you he had any offers for it? Did he tell you he had any offers for it?—A. He said he had another offer for it.

Q. He didn't tell you how much?—A. No.

Q. Now, Mr. Décary, you have been in the habit, I am informed, of doing considerable business for the Canadian National Railways.

The CHAIRMAN: Cannot we clear this up first and then return to that?

Mr. MCGIBBON: I am getting at the same thing.

The WITNESS: No, I was the solicitor, the notary.

By the Chairman:

Q. The question that was asked you was, you have done considerable work?—A. I said no, but I am telling you that I was acting as notary to the Grand Trunk Railway and the Canadian Northern Railway before their amalgamation.

By Mr. McGibbon:

Q. We won't quibble about words. You or your firm, as a matter of fact handled hundreds of lots for the Canadian National Railways in connection with the Montreal Tramways?—A. No, sir.

Q. Or other regions?—A. No, sir. The firm of Décary, Barlow & Joran did. Mr. Joran of the firm of Décary, Barlow & Joran has acted as notary not to buy, to prepare their documents of property.

Q. And how much money have you got out of the Canadian National Railways in fees?—A. Not me.

Q. Well, your firm?—A. I cannot tell you.

By the Chairman:

Q. Thousands of dollars in fees while you were still a director?—A. Oh, but I wasn't getting anything out of it personally.

Q. Do you mean to tell me that your firm was doing thousands of dollars worth of work for the Canadian National Railways and you got nothing out of it?—A. No. The firm got it. My interest in the firm is only nominal just now. The firm is composed of Mr. Joran, Mr. Hector Décary, my son; Mr. Séguin is a member of the firm on a salary; and there are a couple of other young fellows.

By Mr. McGibbon:

Q. But it is a fact, though, that your firm did a lot of business and got a large amount of money from the Canadian National Railways?—A. The firm

of Décary, Barlow and Joran were the notaries for the Canadian National Railways before I became a director, and they continued to act as the notaries.

Q. And continued to draw fees, didn't they?—A. Yes.

By the Chairman:

Q. And did you sever your connection with the firm when you became a director?—A. I retained a nominal interest.

Q. What do you call a nominal interest?—A. Because my boy was just coming into the firm and I wanted to see—

Q. What do you call a nominal interest?—What is your interest?—A. My interest is as head of the firm of Décary, Barlow and Joran.

Q. In other words, they did the work and you took the cream?

By Mr. McGibbon:

Q. Now, Mr. Décary, is it not a fact that you have hundreds of lots around the Montreal terminals?—A. I have what?

Q. Hundreds of lots?—A. I have?

Q. You or your firm?—A. I have hundreds of lots?

Q. Yes, you or your firm?—A. What do you mean by that, sir?

Q. I mean lots?—A. That we own property around the terminals?

Q. Yes.—A. Not one of them.

Q. Hasn't your firm?—A. Not the firm, nobody, directly or indirectly interested in them.

Q. You had acted, though, as notary in all those transactions between the public and the Canadian National Railways?—A. Mr. Joran has acted as notary in all those transactions, not me.

Q. Well, your firm has? You make quite a distinction between yourself and your firm. I don't know whether you carry that into private life or not.—A. We can show you that, sir.

Q. Getting back to the financing of this, could any other man but yourself have gone to the Montreal Trust Company and borrowed the full amount of this money?—A. I don't know; the Montreal Trust will have to answer that.

Q. Is it customary for the people in the Province of Quebec to be enabled to borrow 100 per cent or more of the purchase price of property?—A. On the security of the Canadian National Railways, yes.

Q. Yes, very well.—A. That was the main guarantee.

Q. The main guarantee was the Canadian National Railways?—A. Yes.

Q. And on the strength of that you borrowed \$185,000?—A. Yes.

Q. And then you leased it to the Canadian National Railways for 8½ per cent—A. I borrowed from the Montreal Trust Company \$185,000 with the distinct understanding that the rent was to be equal to 8½ per cent—

Q. Quite so.—A. —of which 6½ per cent would be applied to the interest on the loan and the balance amortization.

Q. Yes, and when the ten years were up a certain amount of the property would be amortized and it would still be your property?—A. Yes.

Q. Well, then, the Canadian National Railways is paying to that extent at least on the value of the property.—A. I told you a minute ago—it is no use repeating it to you—

The CHAIRMAN: Mr. Décary—

Mr. DUFF: Let him finish, Mr. Chairman.

The WITNESS: We will know that only when the ten years are up. The property may not be worth the balance of the mortgage that is on it at that time.

By the Chairman:

Q. Mr. Décary, you conducted all the negotiations for the purchase of this property with either Beardmore or the Montreal Trust?—A. No, sir.

Q. They were all conducted by Sir Henry Thornton?—A. Yes, sir.

Q. Did he keep you in touch with the negotiations?—A. A couple of times he told me—

Q. Did he keep you in touch with the negotiations?—A. Well, he wanted to know if the price they were asking was reasonable or not.

Q. I did not ask you that, but, did he keep you in touch with the negotiations?—A. It is all here.

Q. And the time came when the price had been reduced to what you thought was a reasonable one?—A. Yes.

Q. And did you ascertain what the assessed value of the property was before you purchased the property?—A. Yes.

Q. And what was it?—A. \$75,000.

Q. And you also knew that for several years Sir Henry Thornton had been occupying the property as a tenant either from year to year or from month to month at the rate of \$600 a month?—A. Yes.

Q. And you knew what the revenue of the property had been?—A. Yes, that is what you call, as Sir Henry said,—

Q. Well, that is what it brought anyway?—A. Yes.

Q. You can call it distressed rent or anything you like, but the fact is it brought \$600 a month?—A. Yes.

Q. Which is very far from being interest on \$185,000. Now, you were asked to finance this property and you agreed to do so?—A. Yes.

Q. Without any thought of any reward on your part?—A. Absolutely.

Q. That is the story you want this Committee to believe?—A. Yes.

Q. All right, let us analyze that. You agree on the purchase price of \$175,000 for the real property—the immovable property I think you call it in Quebec—and \$10,000 for the movable property?—A. Yes.

Q. And you arranged with the Montreal Trust Company for the advancing of 100 per cent of the money required?—A. Yes.

Q. And you financed that, as I understand it, on the basis of two things, first, a mortgage on the immovable property. Did that include the movable property too?—A. Only the immovable.

Q. You don't give chattel mortgages in Quebec?—A. No.

Q. Well, that was on the immovables, and an assignment of the lease—
—A. No.

Q. Haven't they got an assignment of the lease yet?—A. No.

Q. The rent, therefore, is not payable to Mr. Séguin, it is payable to the Montreal Trust Company?—A. Yes.

Q. Well, you said a little while ago that the rents were payable to Mr. Séguin?—A. I said they are paid to Séguin and handed to the Montreal Trust Company. The Montreal Trust Company could exact that the rent be paid direct to them.

Q. As a matter of fact, that is the legal position, that the rent should be paid to them as the assignee of the lease?—A. Yes.

Q. And on the strength of your personal guarantee— —A. Yes.

Q. You gave a personal guarantee of the repayment of \$185,000 with interest at 6½ per cent?—A. Yes.

Q. Well, have you got your guarantee here?—A. Yes.

Q. Let us look at it. It will speak for itself.—A. There it is, sir.

Q. Let us see what it does say, because I take it for granted that your personal obligation is worth something?—A. I suppose so.

Q. I hope so.—A. Here is the copy.

Q. Is it in the form of a deed?—A. No, it is the letter which I read you a minute ago.

Q. Oh, it is the letter of the 24th June, 1930, that you wrote to Mr. Donaldson?—A. That is all I have.

Q. Well, I am not sufficiently versed in the laws of the Province of Quebec, but I would have to have something more than that if it were in my company. I would want your bond. You did not give your bond but this, you say, is the binding obligation on you for the entire deal?—A. Yes.

Q. Yes, all right. Now, in addition to that, the Montreal Trust Company hold the insurance on the premises?—A. Yes.

Q. Issued, I presume, in the name of Mr. Séguin, as the owner of the property?—A. Yes.

Q. It is correct also, I understand, what Mr. Séguin said here yesterday, that he has no personal interest in the matter, that he is merely a trustee for you?—A. He acted on my instructions.

Q. He acted on your instructions, but is not the legal position in Quebec,—I don't know what you call it in your country?—A. He buys the property in his name.

Q. Under your instructions?—A. Under my instructions.

Q. For you?—A. For me, and I tell him I will hold him harmless.

Q. And you did not even take a declaration of trust from him?—A. No.

Q. Well, his position, then, under the common law is that he is a trustee for you, and I think you will agree with that?—A. Yes.

Q. Let it not be lost sight of that during all this time you were a director of the Canadian National Railways; during the entire period you were a Director of the Canadian National Railways?—A. Yes.

Q. And as such, you were a trustee for the people of Canada, or did that ever strike you?—A. It did.

Q. You were fully cognizant of the responsibility of directorship?—A. Yes.

Q. And you make a lease of these premises from your trustee—Mr. Séguin—for the Canadian National Railways, a copy of which is in our record?—A. Yes.

Q. And it is dated the 8th August, 1930, and it provides for a lease of the premises for a period of ten years from the first day of August, 1930, to the 31st day of July, 1940?—A. Yes.

Q. And the rental reserved by the lease is a sum equivalent to 8½ per cent on \$185,000?—A. Exactly.

Q. Of which 6½ per cent is for the interest on the loan?—A. Yes.

Q. And the balance of 2 per cent is lodged with the Montreal Trust Company to accrue at compound interest?—A. No, no; it is not lodged with the Trust Company at all. It is paid to amortize.

Q. I know what you are driving at. Have you got the mortgage?—A. Sure.

Q. Let us see it; that will tell the story. By the way, what is the amount of insurance carried?—A. \$150,000 of which \$135,000 is on the building and \$15,000 on the furniture.

By Mr. Duff:

Q. So if the house burned down to-night, Mr. Décary, you would be out the difference?—A. The land would be worth something.

Q. Yes, of course, the land would be worth something.

The CHAIRMAN: It ought to be.

Mr. DUFF: I don't want you to answer the question, Mr. Chairman. I wanted him to answer. Will you please keep quiet.

The CHAIRMAN: This is the mortgage dated the 8th August, 1930, passed before Notary Joran.

By Hon. Mr. Chaplin:

Q. Mr. Chairman, just while we are on that insurance matter, I would like to ask a question. Is it proper in the Province of Quebec to buy furniture for \$10,000 and insure it for \$15,000, and could you collect that insurance?—A. I might answer that by saying that when I took the property over the furniture was insured for \$40,000 and I had it reduced to \$15,000.

Q. You did not get all the furniture?—A. Well, what was taken out wasn't worth \$25,000.

Q. They took away the poor stuff, did they, and left the good stuff with you?—A. Well, I wouldn't say that.

Hon. Mr. CHAPLIN: I only point out that the price paid for that furniture was \$10,000, and I ask you as a lawyer whether you could collect \$15,000 on it, if you had a buyer?

The CHAIRMAN: I would say if it was worth \$15,000, I could; if it was not, I could not.

The WITNESS: But that has not anything to do with the railway, sir.

The CHAIRMAN: Let us get back to the mortgage.

Hon. Mr. CHAPLIN: It has something to do with the interest.

By the Chairman:

Q. Article 1 provides for the loan of \$185,000; and article 2 provides that the interest on the loan until repayment shall be 6½ per cent; article 3 provides that the borrower shall repay said loan,—that means repayment of the principal?—A. Yes.

Q. To the lender on the first day of the month of August, 1940, and not sooner without the written consent of the lender, the full principal sum; and meantime to reduce the principal of the present loan by repayments of not less than 2 per cent of the amount of the present loan,—that means 2 per cent per annum?—A. Yes.

Q. That means \$3,700 a year?—A. Yes.

Q. That means \$37,000 in ten years?—A. Yes.

Q. You are familiar with this document. Was there no provision that you are to be allowed interest on the \$3,700 payments to accrue during the ten year period?—A. No.

Q. Is there anything in this?—A. According to the terms of that loan, you are paying 6½ per cent, and the balance remains from time to time.

Q. The balance is remaining due?—A. Yes. If I pay it, I do not owe it.

Q. You may be quite correct. I do not understand it. This loan shall bear interest from this time until repayment at the rate of 6½ per centum per annum. Article 3, the borrower obliges himself to pay the loan to the lender on the 1st day of August, 1940 and not sooner, without the written consent of the lender, by repayment of not less than 2 per cent of the amount of the present loan, such repayment to be made to the lender half-yearly, whereof the first payment shall become due on the 1st day of February, 1931, with the interest payments, and until such repayment to pay the interest thereon to the lender half-yearly in the months of February and August each year, the first payment to become due in the month of February, 1931. Do I understand the effect of this, Mr. Décary, is that you are not allowed any interest on the 2 per cent payments?—A. No, I am not allowed interest; the interest decreases on the amount.

Q. In other words, that at the end of each year or each half-year there is a rest and your interest payment is reduced?—A. Yes.

Q. So that you are reaping an allowance at the rate of 6½ per cent on the payments made on the contract?—A. No, I am not.

Q. Then I do not understand it?—A. I will explain it to you, sir. On the first six months' interest is paid on \$185,000 at $6\frac{1}{2}$ per cent; on the second six months interest is paid on \$183,150.

Q. It is paid on \$185,000 less the half yearly payment?—A. Yes.

Q. Then who gets the difference?—A. Nobody. It accrues to the amortization.

Q. They get their money?

Hon. Mr. EULER: Ask him proper questions. You cannot bully the witness here and you may as well stop.

Mr. POWER: This is no Beauharnois inquiry, and you are no Peter White. If a row has to start, it can start, if you want it.

The CHAIRMAN: I can appreciate that you do not like it.

Mr. POWER: You be polite and we will not interfere.

The CHAIRMAN: I will be polite to the witness. If not, I will be glad to be stopped.

Mr. BEAUBIEN: This is not Mr. Fairweather. Do not try it again.

The CHAIRMAN: I do not know that that requires an answer. I will try and take care of myself.

Q. Just a minute, and we will start all over again. As I understand it, every half year the National Railways pay in a sum equal to $8\frac{1}{2}$ per cent on \$185,000?—A. Yes.

Q. No matter what was done with it?—A. Yes.

Q. During the whole period of ten years they pay in the sum, whatever it is, to the Montreal Trust Company?—A. Yes.

Q. But as each succeeding half year goes by there is appropriated to the service of the loan interest only on that portion of the loan which has not been repaid by the payments made out of the 2 per cent?—A. Do you want me to answer that?

Q. Yes.—A. The railway pays $8\frac{1}{2}$ per cent a year. The full $8\frac{1}{2}$ per cent goes to the Montreal Trust in accordance with the term of my letter to them. They apply the interest then due—they charge on that amount the amount of interest on the balance remaining due. The surplus they apply against capital.

Q. What surplus?—A. All the surplus according to the letter.

Q. Including interest on interest?—A. I do not know what you mean.

Q. Have you never heard of compound interest?—A. Yes, but I do not see where you say interest on interest, unless there is some interest which is due and you do not pay it. When you pay interest, you do not owe it.

Q. The principle of the sinking fund is that the interest accumulates and is credited periodically so that it builds up a much larger sum than simple interest?—A. Yes.

Mr. BEAUBIEN: Why not have some good lawyer ask the questions?

By the Chairman:

Q. At the end of the ten year period, has it been reckoned out actuarially what is the exact balance due on the \$185,000, and if so what is it?—A. I have not figured it out myself. It can be figured out easily.

Q. It is an actuarial matter?—A. Yes, quite. I should think the balance would be about between \$135,000 and \$136,000.

Q. That is to say that the payments of 2 per cent made half-yearly on account of principal, with accretions, will amount to about \$50,000?—A. About that.

Q. Roughly speaking, I think you are about right?—A. I think somebody said last night it would wipe out the whole debt.

Q. I do not think it would do anything like that?—A. I think it would wipe out about \$50,000.

Q. It would depend entirely on the rate of interest allowed on the accretions, would it not?—A. Yes.

Q. And as a rule a company would not allow you $6\frac{1}{2}$ per cent?—A. Yes, it is according to the terms of the document.

Q. Of your mortgage?—A. Yes.

Q. Of course I have not had time to read the mortgage all through?—A. That is what actually happens.

Q. That they are allowing you $6\frac{1}{2}$ per cent?—A. Yes.

Hon. Mr. EULER: May I ask a question, Mr. Chairman?

The CHAIRMAN: Just a minute, until I get through.

Hon. Mr. EULER: Since you are examining the witness, I think it would be much better to have somebody else in the chair to protect the witness.

The CHAIRMAN: It is not called for. The witness does not need any protection, and he has not asked for any protection, and perhaps he would be glad to be saved from his party.

Hon. Mr. EULER: It is cross-examination by a chairman, and it is quite improper in my opinion.

The CHAIRMAN: I do not think so. I am in the judgment of the committee and of the public of this country too.

Hon. Mr. EULER: Are you going to speak for the public?

The CHAIRMAN: I am leaving myself in the judgment of the public.

The WITNESS: I am ready to answer all questions.

By the Chairman:

Q. Are you being treated unfairly by me, Mr. Décary?

Mr. POWER: Oh, oh.

By the Chairman:

Q. Because, if you are, I want to treat you fairly. You estimate, without a mathematical computation, that the accretions amount to about \$50,000. Do those payments and accretions not result to the credit of E. R. Décary?—A. Those payments of \$50,000 will make the cost of the property at the end of ten years, \$135,000. If the property is worth more at that time, then the difference between the two will be a profit. If it is worth less than \$135,000, there will be a loss.

Q. I agree with you entirely. We do not know what may happen, but you are willing to stake your own private credit and take this loan?—A. I did. I did give the option to buy it back.

Q. But as a matter of fact, as the transaction stands to-day, assuming the property is worth in ten years as much as it was when you bought it, there is a profit of \$50,000 to E. R. Décary, is there not?—A. Provided that the property—if I can sell it for \$185,000, I suppose I would make \$50,000.

Q. I suppose there is no doubt about that. We are not in such disagreement as our friends down in the audience thought. Now I would like to call your attention to certain conditions in the lease:

The present lease is so made subject to the following charges and conditions which are of the essence hereof and to the fulfilment whereof the lessee binds and obliges itself.

That verbiage is a little different from ours, but what I understand that to mean is that the conditions are of the essence of the contract?—A. Yes.

Q. "1. To pay the cost of this deed,"—That is the usual thing in Quebec?—
A. Yes.

Q. The second is to pay taxes, etc.?—A. Yes.

Q. That is one of the annual carrying charges. And the third is:

To execute all repairs of any nature whatever in the above described and presently leased premises and fire insurance premiums.

Those are the annual carrying charges too, and they are at the dictation of the landlord, are they not, in Quebec?

Mr. DUFF: I move that the rest of the committee adjourn.

Mr. McGIBBON: I do not think it is very fair. Mr. Power demanded all the time he needed and he got it.

Mr. DUFF: Mr. Power is on the floor of the house. The Chairman has no right to have a conversation with the witness so that the rest of us cannot hear. He had better come down here and put somebody else in the Chair and do this in a proper manner.

The CHAIRMAN: I think the proceedings are quite proper.

Mr. DUFF: We never had it happen in this parliament before.

The CHAIRMAN: I saw Mr. Geary sit here as Chairman and ask any questions he wanted.

Mr. DUFF: He asked one or two questions after all the others were through.

Hon. Mr. EULER: We are not objecting to your asking them, but we ask that you come in your proper place.

The CHAIRMAN: I am not taking that course. I am here.

Hon. Mr. EULER: Is it your ruling, Mr. Chairman? I have no objection to your taking all the time you wish but I submit you should come down here as a member of the committee.

The CHAIRMAN: I think that is a matter of form and not of substance. I am staying here until the committee puts me out of it.

Q. We have dealt with the second condition of the lease, the carrying charges, taxes and insurance. The third is to execute all repairs of any nature whatever in the demised premises, and fire insurance premiums; and those are at the dictation of the landlord, are they not?—A. Well, the fire insurance premium would be for the insurable value of the property; you cannot expect anything else; you cannot expect more and you cannot expect less; so that the landlord is not free to do as he pleases with that.

Q. The landlord under your law—I am asking for information—could demand the National Railways to insure this to its full insurable value, whatever it may be?—A. Yes.

Q. And they have done so ?

Mr. BEAUBIEN: On a point of order, will you turn this way when asking the questions, and ask the witness to do the same when answering. It is a point of order.

The CHAIRMAN: That is very fair.

Mr. BEAUBIEN: We are as good looking as the witness.

By the Chairman:

Q. And with respect to the repairs, who has the right to order the repairs?—

A. The law provides for that and says what repairs shall be done, that the house shall be kept in good order.

Q. That would be under your Civil Code?—A. Yes.

Q. You have not got it with you, I suppose?—A. No.

Q. Generally speaking, the landlord can order and insist on any necessary repairs?—A. All necessary repairs, yes.

Q. Then the fourth condition,

To comply with the conditions and stipulations relative to the use of the premises as set forth in the title deeds of the lessor—

Those, I understand, are the building restrictions, are they not?. Just look at it?

—A. Yes, that is in the deed.

Q. And it is not very relevant to this inquiry?—A. No, but it is that it must be kept as a private residence.

Q. Then I call your attention to No. 5.

To leave and abandon the hereby leased premises at the expiration of the present lease in as good order and condition as they were at the time the lessee took possession thereof.

A. That is copied from the printed form of leases.

Q. It is there?—A. Yes, it is the usual clause.

Q. And there is not a word about wear and tear in the lease?—A. No, but the law would allow wear and tear.

Q. I am prepared to take your word on that?—A. Thank you.

Q. What are the annual carrying charges under that lease? You are the owner of the property?—A. There is \$15,000 rental, the taxes,—

Q. What do they money out at?—A. I do not know that I have that. It is the railway that pays it.

Q. Do they not supply you with the receipts?—A. Yes, they do sometimes. \$1,687.50,—

Q. What are those?—A. Taxes. I take that from the receipt on the file.

Q. And the rental is \$15,725?—A. I forget, sir. The lease is right before you.

Q. Here it is,—\$15,725?—A. Yes, \$15,725.

Q. What are the fire insurance premiums?—A. For three years, \$247.50, \$87.50, \$87.50 again, and \$87.50—

Q. Again?—A. Yes, and again \$87.50.

By Hon. Mr. Chaplin:

Q. Will you repeat those amounts?—A. We will give you the total.

The CHAIRMAN: \$247.50, and four of \$87.50, so far.

The WITNESS: \$637.50, divided by three, that would be \$212.50.

By the Chairman:

Q. What other carrying charges?—A. That is all I know of.

Q. What are the repairs annually?—A. Well the house is in perfect order.

Q. Now the question of the house agitated the late Board of Directors for a period months. We have been supplied with the minutes of both the Executive Committee and the Board of Directors from a certain date. The first reference is on the 17th of September, 1929, from the Executive Committee, of which you are a member?—A. Yes.

Q. On that date the Executive Committee passed a resolution:

Whereas in the opinion of the Executive Committee a suitable residence in Montreal for the Chairman and president of the company is essential for the proper conduct of the company's business, it was unanimously resolved that the Executive Committee should undertake to lease a suitable and properly equipped residence for the use of the Chairman and President of the company under such terms and conditions as the committee may subsequently deem proper.

You were a party to that resolution?—A. If I was present at the meeting. You cannot expect me to recall all meetings.

Q. Well you were a member of the executive?—A. Yes.

Q. And usually attended the meetings?—A. I attended every meeting unless I was out of town.

Q. As far as you recall you were present?—A. I must have been present.

Q. A week later the Board of Directors met and passed the following resolution: (September 23, 1929)

Resolved that in the matter of the leasing of a suitable residence for the use of the Chairman and president of the company in Montreal, the resolution adopted by the Executive Committee in this respect at its meeting on September 17 is approved, and the Committee is hereby authorized to lease a suitable and properly equipped residence for the use of the Chairman and President of the company under such terms and conditions as the committee may subsequently deem proper.

Do you recall that?—A. I do not recall it but I must have been there.

Q. You are familiar with the terms of that resolution, you know about it. Now, I call your attention to the fact that on the very day that resolution of the Board of Directors was passed there was entered into by Sir Henry Thornton and the Canadian National Railways a contract, or at least it bears date the 23rd of September, 1929, referred to by Mr. Dunning in his evidence, Sir Henry Thornton's employment engagement was dated the very day that Directors' resolution was passed. You are familiar with this?—A. No, I have never seen it.

Q. I am going to read paragraph 3:

Remuneration—The remuneration of the Managing Head for the full and entire services to be performed from time to time, and for the full period of employment under this agreement, shall be a fixed annual salary (irrespective of the magnitude or extent of the work or duties to be performed from time to time and without any extra fee or remuneration of any description) of \$75,000 per annum,—

Now that is the Canadian National Railways contract. Were you not familiar with that?—A. No.

Q. Have you heard that for the first time to-day?—A. Yes.

Q. Did this agreement never come before the Board of Directors?—A. It did not have to come before the Board.

Q. I am in error as to the date. This is supplied by the Railway. The Government contract was on the 25th of October, 1929.—A. Well, that is an agreement made by the Canadian National Railways.

Q. But that would come before the Board of Directors wouldn't it?—A. That was signed by me as a director.

Q. Yes, I was coming to that in a moment. Now, you are very familiar with the terms of that agreement with Sir Henry?—A. I may be. I do not remember.

Q. Well, it is fair to say that at the time you executed it you were familiar with it?—A. I must have been at the time.

Q. Surely, or you would not have signed it?—A. Well, I have signed many things for the railway that they told me to sign as a director. They were bringing papers to me very often to be signed.

Q. Well this was a contract for Sir Henry Thornton's personal engagement, and you signed it on behalf of the Canadian National Railways?—A. I believe, sir, if you will allow me, if you will believe that I am telling the truth—

Q. I am not questioning it.—A. Therefore I tell you frankly that I do not remember this contract, but it is signed by me.

Q. You do not now remember the terms of that contract. I am quite prepared to accept that statement. But you would not say that at the time you

signed that contract you did not know what was in it, would you?—A. I would not be prepared to say either that I did or I did not.

Q. At this late stage you are not prepared to pledge your oath either way?—A. No.

Q. Is it not fair to assume that you did know then what was in it?—A. Fair to assume.

Q. All right. And on the very day you signed that contract you were negotiating to give Sir Henry Thornton a free house over and above his \$75,000 per annum, notwithstanding that the paragraph in the contract provides that the payment of \$75,000 shall be without any extra fee or remuneration of any description?—A. The Board was negotiating. Do not say "me".

Q. Well you are part of the Board?—A. Yes, sir.

Q. And you happened to sign the contracts as a director?—A. I want to tell you right here that when the question of a house for Sir Henry Thornton came up I was told,—I never saw Mr. Dunning personally during my term of office, but I was told that the Minister knew all that and had left the matter entirely in the hands of the directors to do as they pleased.

Q. Well it is only fair to Mr. Dunning to say that he was ill at the time and for weeks after. He gets his contract through the end of October, a month later. Who told you Mr. Dunning knew all about it? Did Sir Henry Thornton?—A. Yes it must have been Sir Henry, and at the time he made that statement the Deputy Minister of Railways was sitting around the table and did not contradict.

Q. And you accepted?—A. Absolutely.

Q. But the fact remains that the very day you signed a contract for Sir Henry Thornton's services at \$75,000 per annum to be for full time and without any extra fees or remuneration of any description you were passing a resolution to give him a free house that is costing this country about \$18,000 a year?—A. Well I don't remember. If that document was signed that day or the day before or the day after the meeting—

Q. Well there was a meeting we are informed, and there was a meeting on the 23rd of September?—A. I thought you said you had the minutes of that meeting before you and you were asserting that there was a meeting.

Q. I have what is certified as a copy of the minutes, put in evidence by Sir Henry Thornton himself and certified by Mr. Ormsby as a correct extract from the minutes? (Showing paper to witness).—A. I may and I may not have been present. If Mr. Ormsby will tell you I was present I will agree that I was.

Q. Well, the fact is that you signed the contract as of that date?—A. Well, that does not mean I signed it exactly on the 23rd of September.

Q. Well there is no question arising about a particular date. The fact is you did sign such a contract in the immediate vicinity of the time of that meeting?—A. Yes.

The CHAIRMAN: I think that is all.

By Mr. Duff:

Q. With regard to the amount of insurance on the property, \$135,000, is that the full amount which you could obtain from the insurance companies according to the value of the property?—A. Yes, we could not obtain more than that.

Q. If the house burned down to-night and after the fire you could dispose of the lot for, say, \$20,000 and you collected \$135,000 insurance, making a total of \$155,000, who would lose the \$30,000 difference between that and the price you are responsible for for the property?—A. The Montreal Trust would exact it from me on my guarantee.

The CHAIRMAN: There is no doubt about that.

By Mr. Duff:

Q. Am I right in assuming that you figure this so-called 2 per cent is only a fair amount, spread over the ten years, for the risk you have of anything happening the property in the meantime?—A. I did not even figure it out that way. I thought the property would not be worth more than the balance of the mortgage at the end of ten years.

Q. Is it not quite possible also that even if the house does not burn down or something happen, that at the end of ten years the property might be worth a great deal less than the amount for which you are responsible?—A. Yes, it may be.

Q. A question was raised with regard to your notarial fees for work you did for the Canadian Northern Railway, McKenzie & Mann,—your firm, Décary, Barlow & Joran, not you, for the Canadian Northern, McKenzie & Mann and the Canadian National Railways; did you charge the same fees for any work you did as any other firm of notaries does in Montreal? In other words, is there a fee laid down under the law that all notaries must charge?—A. Absolutely.

Q. And you charged the same fees?—A. No more.

The CHAIRMAN: Was there any resolution put through after you were made a director legalizing the employment of your firm?

The WITNESS: No sir, it was just continued.

By Hon. Mr. Euler:

Q. I would like to clear up one point that is in my mind. There has been considerable discussion and criticism about the fact that Mr. Décary was getting $8\frac{1}{2}$ per cent and was paying $6\frac{1}{2}$ per cent, if we may put it that way, in other words there was a margin of 2 per cent which it has been suggested accrues as profit to Mr. Décary. He has stated that he had some doubt as to whether the property might be worth the full amount of the purchase price, \$185,000, at the end of the ten years. I would like to ask him whether there was in his mind this thought, that by reason of use and the lapse of time a property would depreciate to the extent of 2 per cent per annum? I think it is not at all unfair to suggest, though I have no particular proof, that buildings will depreciate at least 2 per cent per annum, whether that two per cent of depreciation, or whatever it might be was covered by the clause in the agreement that the property was to be returned in the same condition as when it was taken over in the first place. My contention would be, or my thought, that while he might be under obligation to leave the property in as good condition as it was before, that does not imply that he would have to repair ordinary wear and tear or depreciation that comes from the lapse of time. I would ask whether he has in mind now or had then the idea that the two per cent would take care of that depreciation?—A. There is no doubt, everyone will admit, that even if you return the property in the same state as to-day, that is in good repair, it will be ten years older. In ten years from now I may be just as good a man as I am to-day, but I have got ten years less to live. Property is the same.

By Mr. Duff:

Q. Was your firm acting as notaries for the Canadian National Railway previous to 1921?—A. Yes, sir, we were acting for the Canadian National from its inception, and we were acting for the Canadian Northern from the time they started their work in Montreal, and we have been acting for the Canadian Pacific Railway, prior to my appointment to the Canadian National Railway and after my appointment to the Canadian National Railway.

Q. Is your firm still acting as notaries for the Canadian National?—A. Yes they are still acting.

By Mr. MacMillan:

Q. I would like to ask Mr. Décary if his firm or any member of it had anything whatever to do with the purchase of any property whatsoever in regard to the Montreal terminal project?—A. No.

The CHAIRMAN: Did you act as agents?—A. No, sir. The firm had nothing to do with it.

The CHAIRMAN: None of your firm?—A. I have personally directed for the railway the purchase through outside agents, but ever since I have been a director of the railway all property bought for the Canadian National was bought by outside agencies. We used to buy prior to my appointment, for the Canadian Northern, we have not since.

The CHAIRMAN: Were you on the Montreal bridge purchase?—A. No, sir. We do not do that kind of work, if that is what you mean.

Mr. MACMILLAN: I would like the witness to answer me, there is no need for him to carry on some conversation with you.

The CHAIRMAN: Well, I asked him a question.

By Mr. MacMillan:

Q. I would like to ask Mr. Décary what firms he directed. He says he directed certain firms.—A. I directed B. W. Ogilvie, for instance.

Q. Is that a real estate firm?—A. Yes.

Q. What do you mean by "directed"?—A. I was supposed, rightly or wrongly, to know something about real estate in Montreal. As a director I was not paid to work in buying real estate, but I was paid to advise. Mr. Clark was in charge of the buying.

Q. That is for the Canadian National Railway?—A. Yes. There was a real estate committee composed of Sir Henry Thornton, president, Gérard Ruel, chief solicitor, and E. R. Décary, to whom real estate purchases must be submitted, and as such real estate propositions were submitted to me.

When it came to buying real estate in Montreal I was asked my opinion as to who was the best man to handle the job. I appointed—or I did not appoint, I suggested John H. Hand—there was no political colour in that at all, John H. Hand is a Conservative.

Q. You suggested this gentleman as an agent to purchase property?—A. Yes. That is to say, the railway got five or six experts to do their work and help them in their work. The names suggested were John H. Hand, D. W. Ogilvie, Gaspard Archambault, Guy Ross and Mr. Desaulniers.

Q. In other words, you just recommended these people?—A. That is all.

Q. Were they all accepted?—A. Oh, yes.

Q. Was there anyone else that was recommended?—A. Oh, they may have employed other people, I do not know, I know they employed Ernest Pitt, for a while.

Q. You do not know who recommended him?—A. No, sir.

Q. Do you know the amount of property that these people were instrumental in having the railway purchase for the terminal, do you know the amount of money involved?—A. No.

The CHAIRMAN: Just one question. Did you have this property appraised before you bought it?—A. I appraised it myself.

Q. There was no independent appraisal?—A. I had Mr. Archibald go through the property and look it over for me and tell me the condition it was in.

Q. Who is he?—A. John S. Archibald is a reputed architect of Montreal in good standing.

Q. Connected with the Montreal terminals?—A. That hasn't anything to do with it.

Q. Well, he is the same gentleman?—A. Oh, yes, that is the same one.

The CHAIRMAN: Any questions of this gentleman?

Witness retired.

The CHAIRMAN: There is one short witness whom I would like to call in order that he may get away to-night, Mr. Knubley, of the Montreal Trust Company. I think his evidence will be very brief, because most of the evidence has been produced by Mr. Décary.

HENRY J. KNUBLEY, sworn.

By the Chairman:

Q. What is your address and occupation?—A. Manager, Montreal Trust Company, Montreal.

Q. Manager of the Montreal Trust Company?—A. Yes.

Q. Are you familiar with the loan made by the Montreal Trust Company to G. Henri Séguin?—A. Yes.

Q. Who negotiated the loan?—A. Well, the loan was really negotiated in the first place by Mr. Donaldson, as General Manager, to Mr. Décary.

Q. And were the details of the loan relayed to you?—A. No, they were not. Mr. Décary either telephoned or interviewed Mr. Donaldson and outlined the proposition to him, and Mr. Donaldson told him or asked him to kindly put it in writing, which Mr. Décary did.

Q. Have you the writing with you?—A. The writing is the same writing that Mr. Décary produced.

Q. That is, the letter he wrote, the copy of it. You have the original?—A. We have the original.

Q. All right, go ahead. If you give it to us we will put it in the Minutes and return it to you.—A. I have only a copy of it here.

Q. You swear it is a copy?—A. I do.

Q. The 24th of June, 1930?—A. Yes, the 24th of June, 1930.

THE TITLE GUARANTEE AND TRUST CORPORATION OF CANADA

134 St. James Street West,

MONTREAL, June 24, 1930.

F. G. DONALDSON, Esq.,
General Manager,
Montreal Trust Company,
Montreal.

DEAR MR. DONALDSON,—Referring to our conversation of the other day in connection with the Beardmore property on Pine Avenue, I, or my nominee subject to my personal guarantee, will purchase the above property for \$185,000 cash, the property subsequently to be rented to the Canadian National Railways for ten years, at a price representing $8\frac{1}{2}$ per cent per year, net, outside of taxes of any kind, repairs, and improvements.

You will make a loan for this amount of \$185,000 for ten years, at $6\frac{1}{2}$ per cent, the difference between the amount of interest paid and $8\frac{1}{2}$ per cent to be applied as a sinking fund on the amount of the loan. Your Company will be given a first Mortgage on the property and an absolute transfer of the Canadian National lease as guarantee for the loan.

We should be in a position to complete this transaction during the first few days of the month of July. Will you please advise if this is convenient to you, and oblige.

Yours truly,

(Signed) E. R. DÉCARY,
President.

ERD:BMR.

Q. That is the letter and it outlines the terms. It is what you call his obligation for the loan you made?—A. Yes.

Q. And outlining the terms?—A. Outlining the terms, absolutely.

Q. Now, Mr. Décary told us that this also constituted a guarantee on his part to repay the principal and interest. Do you so consider it?—A. We consider it a personal guarantee of his.

Q. Under Quebec law?—A. Whether it is in proper legal form or not and binding on his estate—

Q. You are not a lawyer yourself?—A. No, I am not a lawyer myself.

Q. But at all events, you have this document from him and you look upon it as a personal guarantee of the loan?—A. Absolutely.

Q. Was that a factor in making the loan?—A. Yes. There were two factors in making the loan—Mr. Décary's personal guarantee, as well as the assignment of the lease to the Canadian National Railways which was given as additional collateral security.

Q. And those were the main factors?—A. Those were the main factors.

Q. Did you have an appraisal made of the property?—A. No, we did not have an appraisal made. We were satisfied to make the loan subject to that guarantee and subject to the assignment of the lease.

Q. I wish I could borrow money as easily as that. But those were the only factors, or the main factors?—A. Those were all the factors.

Q. Now, to whom will accrue the proceeds of the 2 per cent which are included in the rental that you have heard discussed here this afternoon?—A. The 2 per cent, or the percentage over and above the interest goes in reduction of the principal on the loan thereby reducing the amount owing to us at the end of the ten years.

Q. And at the end of each six months' period, I presume—.—A. At the end of each six months' period as we receive those payments of interest, the interest is calculated and so much is applied on account of the interest and the balance is applied in reduction of principal.

Q. And the interest on the next payment is on the reduced principal?—A. Absolutely.

Q. And so on?—A. And so on.

Q. Have you calculated in any way what that will amount to at the end of the ten-year period?—A. Approximately \$50,000. Now, that calculation was made just yesterday after I received your telegram. It has not been checked.

Q. But it is approximately correct?—A. It is approximately correct.

Q. And it accrues to Mr. Décary's benefit, for whatever it is worth?—A. Well, it accrues, so far as they are concerned, to all of them, and on our receiving that balance at the end of the ten years we give a discharge.

Q. To whoever owns the property?—A. To whoever owns the property.

Q. If Mr. Décary is the owner, it accrues to him?—A. It accrues to Mr. Séguin, as far as we are concerned.

Q. You have heard the evidence here that Mr. Séguin is merely a trustee for Mr. Décary?—A. Yes.

Q. And the letter of the 24th June would bear that out, that Mr. Décary is the principal and not Mr. Séguin?—A. Well, he gave his personal guarantee. I think it states in that letter that it will be he or his nominee.

Q. And it was immaterial to you because you were doing it on the strength of the guarantee and the National Railway lease?—A. Yes.

Q. Would you have done this at all had it not been for the National Railway lease?—A. We would not have done it at all if we had not received the guarantee and the assignment of the lease.

By Mr. Duff:

Q. You only have security, as far as fire insurance is concerned, of \$135,000?—A. Yes.

Q. If the house burned down to-night, under those policies you could only collect \$135,000?—A. That is right.

Q. And if the land could be sold for, say, \$20,000, whom would you collect the balance of \$35,000 from? Whom would you hold responsible?—A. We would hold Mr. Séguin, in the first place, responsible, and failing him meeting the obligation we would call on Mr. Décary.

By Hon. Mr. Euler:

Q. You have given an opinion. Would you have made the loan to the full extent, if Mr. Décary had not been guarantor?—A. If we had got a clear guarantee?

Q. No, would you have made the loan with only the lease as a guarantee?—A. I do not know, but I do not think we would have been inclined to.

Q. You regard the guarantee which Mr. Décary gave as of considerable value?—A. Absolutely.

Q. Relieving you from considerable risk?—A. Absolutely.

By Mr. Munn:

Q. May I ask one question. Can you give an opinion as to whether property in Montreal has gone down in value during this depression?—A. I am not a real estate expert, but naturally I feel the values of property have shrunk the same as the value of securities, not probably to the same extent but to some extent. There is not the demand for properties to-day, so that you cannot get so good a price as you ordinarily would.

Q. My advice is that properties in Montreal as well as in other parts of the country have gone down a good deal in value. If that is so, and I think you will admit that is so in any part of Canada, then Mr. Décary in being guarantor to you would be quite important if the present conditions lasted for any length of time?—A. He is assuming the risk, all right. It is problematical what the property will be worth in ten years' time.

Q. Under the present conditions there is a good deal of depreciation in the value of property in Montreal, is there not?—A. Yes, it is very difficult to sell big houses especially.

By Mr. Duff:

Q. Mr. Knubley, with your knowledge of Montreal citizens would you think there would be many purchasers at the end of ten years for a property costing \$185,000?—A. I would not like to guess on that. That is beyond me.

Q. What is your opinion, as far as you know?—A. It all depends upon how conditions are in ten years' time, I would say.

By the Chairman:

Q. Is not this the truth, that there is always a market for this expensive property, but it is a very limited market, so far as compared with less expensive property?

Mr. DUFF: There is a very limited market.

By Mr. MacMillan:

Q. I would like to ask the witness if his company ever discussed this purchase of this house property with Sir Henry Thornton before you took it?—A. No, sir, we did not.

Q. Is Sir Henry a director of your company?—A. Yes.

Q. When did he become a director?—A. 4th April, 1930.

Sir HENRY THORNTON: I would like, Mr. Chairman, to make a personal statement there. I intended to make it when the proceedings opened this afternoon but overlooked it. I was asked by Mr. MacMillan if I was a director at the time this transaction was completed or carried through by the Montreal Trust Company. I told him no I was not. I answered to the best of my memory, and I hope you will all feel that I told the truth to the best of my ability; but I have found out since that I was, and I would ask that you accept that assurance. I was, at the time.

By the Chairman:

Q. This is a deed, which Mr. Décary produced, to George Henry Séguin, and that document also contains the assignment of the lease?—A. Yes.

Mr. MUNN: I would like to ask, do you suppose Mr. Décary could get anyone to step in and assume his obligation?

The CHAIRMAN: I would not ask that, that is a matter of opinion.

Mr. MUNN: Well take conditions as they are to-day, the chances are, if he had to do that, it would cost him \$25,000 or \$30,000.

The CHAIRMAN: That is not evidence.

The WITNESS: I cannot say whether anyone would assume his obligation to-day.

Mr. MUNN: I do not think anyone would be anxious to.

The CHAIRMAN: That is a matter of opinion. Any other question?

Mr. GEARY: I would like to ask one question. Has he any other loan arranged for similar to this, practically on a personal guarantee, with a mortgage as collateral and transfer of lease as collateral?

The WITNESS: Not that I can recollect, not with an assignment of lease and personal guarantee.

Mr. GEARY: You did not yourself pass upon the sufficiency of the security in this case?—A. No, it was passed upon by our general manager.

The CHAIRMAN: Any other questions? If not we will adjourn.

Committee adjourned to meet again on Tuesday, May 10, 1932, at 11 a.m.

HOUSE OF COMMONS, ROOM 231,

MAY 10, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m. Mr. Hanson, presiding.

The CHAIRMAN: Mr. Chaplin has a small motion relating to the copy of a document.

Hon. Mr. CHAPLIN: I beg to move:

That the amount of \$10 claimed by Mr. G. Henri Séguin of Montreal for sending a copy of the deed of sale in connection with the Montreal house purchase, requested by the Chairman on May 3 and received on May 7, be paid.

I admit I think the price a little high, but I do not see what can be done when we ask for something and do not ask the price we have to pay for it.

The CHAIRMAN: It is according to a scale, is it not?

Mr. POWER: I do not think it is unduly high for a document of that importance.

Hon. Mr. CHAPLIN: Of course, we may expect Mr. Power to defend it.

The CHAIRMAN: Gentleman, we have a good deal of business to do in this committee. There have been a great many enquiries made, and I understand that most of them are ready for delivery, or in the course of preparation; but, over and above all that, I hope the committee will not lose sight of the fact that we passed here without any discussion or consideration an estimate of sixty-one and one-half million dollars and I hope the committee will get down to that estimate as soon as possible. After all, that is the most important function of this committee. In the meantime, we might dispose of some other matters that are now standing before the committee, but I would like the committee to get back as soon as possible to the consideration of that very important matter.

Hon. Mr. CHAPLIN: Some ten days ago I asked for the expense account of Mr. J. Gill Gardner for two years. It does not seem to me that it should take this length of time to get that expense account.

The CHAIRMAN: Sir Henry says that it will be ready to-morrow morning.

Mr. MACMILLAN: Arising out of the evidence before the committee on the 27th of April I noticed that at a meeting of the board of directors held on the 23rd of September, 1929, there is said to have passed a resolution which was embodied in the Executive Committee's meeting on the 17th of September, 1929. I will read the minutes of the meeting of the Executive Committee of the directors held on March 24, 1930. The minutes read as follows:—

The president then left the meeting and reference was made to the resolution of the directors passed on September 23, 1929, regarding the provision of an official residence for the president and to the unsuccessful efforts made to secure one.

It was decided that in order to carry out the intention of the directors as from the date of such resolution an adjustment should, when the residence was purchased, be made with the president in respect of rental, as of the date of his present contract.

Now, the resolution of the board of directors here referred to has nothing in it at all in regard to any retroactive feature, and I would like to ask the Chairman if the president received money in lieu of rent dating back from the meeting of the board of directors on the 23rd day of September, 1929, up to the time that the house was secured by lease?

Sir HENRY THORNTON: As Mr. MacMillan states, when that matter came up I left the room and left it in the hands of the directors, and it was their opinion that it was the intention that the provision of a house should date as from the date of the first resolution—I forget exactly the date—and that I should be compensated for whatever rental I paid in the meantime.

Mr. MACMILLAN: Will you tell me what the amount of money was?

Sir HENRY THORNTON: I could not tell you offhand, but I could get it very easily.

Mr. MACMILLAN: Then, let me read the resolution of the board of directors of September 23, 1929:—

Resolved that in the matter of the leasing of a suitable residence for the use of the chairman and president of the company in Montreal, the resolution adopted by the Executive Committee in this respect at its meeting on September 17, is approved, and the committee is hereby authorized to lease a suitable and properly equipped residence for the use of the chairman and president of the company under such terms and conditions as the committee may subsequently deem proper.

Now, that was a resolution of the board of directors which the Executive Committee subsequently referred to, and there is nothing in that resolution, in my mind, which permits the Executive Committee to make that retroactive bonus on the 23rd day of September until the date of the Canadian National Railway's leasing the house to the president. I do not see how you can read that in it.

Sir HENRY THORNTON: In reply to that I can say that I had nothing to do with that. I left the meeting,—left it in the hands of the board because I did not want to be there, and that is what they considered the proper thing to do. It was the intention that the house should be provided as of the date of the original resolution. That is all I know about it. Now, I can give you the facts and I will to-morrow.

Mr. MACMILLAN: That was an extra \$6,000?

Sir HENRY THORNTON: I cannot recall. I would have to look up the figures.

Mr. MACMILLAN: I must register a protest. I do not think the people send me here to permit any such hidden methods as this of receiving an extra emolument or salary or grant from the railway.

The CHAIRMAN: Sir Henry Thornton has said that the vote and resolution speaks for itself.

Mr. MACMILLAN: There is nothing in the minutes of the directors' meeting to confirm what they did, in my judgment.

The CHAIRMAN: That is, to make the lease retroactive? I do not think there is. But they have done it. That is the fact.

Mr. BEAUBIEN: Some few days ago I asked for information with regard to improvements made to the Chateau Laurier, and the amount of rent paid and the number of rooms.

Sir HENRY THORNTON: I can have that to-morrow.

Hon. Mr. MANION: Since the matter of the Chateau Laurier improvements has come up it is better that I put on record now a letter which I had from Sir Henry Thornton dated January 2, 1931. May I preface this letter by saying

that there had been a discussion between Sir Henry and myself about the alterations in the Chateau Laurier because we were tying up practically all capital expenditures that we could tie up, and Sir Henry wrote this letter.

Mr. BEAUBIEN: Why not have it all come at once?

Hon. Mr. MANION: Because I choose to present this now, since my friend mentions it. My honourable friends may laugh, but I do not think any preliminary supposition should go out as to the facts, and I am simply placing Sir Henry's letter on the record. I am sure that you will agree to that. The letter was written to me for that purpose if there were any questions asked.

Mr. POWER: I have no doubt that all the facts are contained in the letter.

Hon. Mr. MANION: You can ask Sir Henry about that; he wrote the letter. I will read it:—

Copy

CANADIAN NATIONAL RAILWAYS

MONTREAL, QUE., January 2, 1931.

DEAR DR. MANION,—With respect to the quarters which are being arranged for the Prime Minister at the Chateau Laurier, I wish to make it quite clear that the administration of the railway in general and myself in particular assume entire responsibility. Some eight or ten months ago I happened to be in the rooms of the Honourable the Leader of the Opposition (now the Prime Minister) and said I thought a more suitable suite should be provided. The rooms occupied were not bad, but they were hardly consistent with what I thought should be furnished so important a personage. For some reason or other it was overlooked.

Shortly after the last election, I heard that the Prime Minister was considering building a house in Ottawa. Naturally we did not want to lose so important a guest, and out of that there grew the thought that we could quite justifiably arrange quarters for him at the Chateau which would measurably meet the facilities of a house. Accordingly, I had a plan prepared, representing what I thought should be done. After considerable delay this plan was eventually approved.

I cannot see that anyone can criticize the railway company for providing suitable apartments for the Prime Minister of the country providing he pays a proper rate for the use of that accommodation. It is purely a business arrangement, as it means a good deal to have the Prime Minister living in the Chateau Laurier; it lends prestige to the hotel, and indirectly brings to us considerable revenue. Should he ever decide to go elsewhere, there would not be any trouble in renting the space to some one of the foreign diplomats located in Ottawa, or to others. In other words, the accommodation would in no sense be wasted.

Yours sincerely,

(Sgd.) H. W. THORNTON.

The Hon. R. J. Manion, M.D., M.P.,
Minister of Railways and Canals,
Ottawa, Ont.

May I just add to that that the Prime Minister telephoned to me this morning and he said he heard this matter was going to be brought in and that if it was going to be discussed he would like to be called.

Mr. BEAUBIEN: I was not asking for any discussion. I simply made a statement when I asked the question, that there were rumours and it would be just as well to have the facts on record because I did not think the rumours would be well founded. I do not think the Minister should think I had any ulterior motive. I think the Chairman will justify what I have said.

The CHAIRMAN: Don't call me for a witness in your behalf, please.

Mr. POWER: You are having the discussion before we have the facts.

Mr. MCGIBBON: I have had a motion before this committee for ten days.

The CHAIRMAN: I think there is a motion. The clerk can correct me if I am wrong. As you are aware a small subcommittee was appointed to proceed to Montreal to ascertain certain facts in connection with expense accounts of the officials. That sub-committee I understand did go to Montreal and has now returned and it has presented a memorandum to this committee dated the 20th of April, which was addressed to Mr. McLaren, the comptroller of the Canadian National Railways, asking that he present to this committee, as I understand it, certain specific information and accounts. Sir Henry Thornton has authorized me to say that he does not consider it in the interest of the railways that these accounts should be presented and that he objects to the production of these accounts.

The matter will have to be determined by this Committee, apparently, one way or the other. It is not a matter that the Chairman should be called upon to give any decision on at all; but while I am on my feet I desire to say this, merely for the guidance of the Committee. Last year it developed that a sum of nearly \$2,000,000 was in the accounts for the year 1930 for the travelling and entertainment expenses of the executive officers and officials generally of the Canadian National Railways. I think that is a fair statement. It further has developed, that in the year 1931 the amount of that expenditure had been reduced by \$300,000.

Mr. DUFF: Quite natural under the circumstances.

The CHAIRMAN: Well, it is the fact, anyway, whatever the reasons may be and I am not giving any reasons at all.

Mr. MACMILLAN: Is it \$300,000 or \$700,000?

The CHAIRMAN: I understood it was \$300,000 less for 1931-32.

Mr. FAIRWEATHER: \$366,000.

The CHAIRMAN: Mr. Fairweather informs me it was \$366,000, and, according to a statement made in this Committee—I think by Dr. MacGibbon—that on the basis of this year's operations if they go on in the same ratio of expenditure that they have for the first few months of the year, the reduction will be a reduction of at least three quarters of a million dollars. Furthermore, it has been stated to this Committee, that a new system of audit has been established either by the Board of Directors or by the Executive of the Board of Directors to take care of this very matter and, in view of all that, I suggest to the Committee that this matter can be very well left to the Executive of the Board of Directors with instructions to pursue the matter so that the whole item of expenditure may be put on a proper footing. I don't know that I have anything more to say.

Hon. Mr. EULER: I am very glad you have made the suggestion that you do make, not because it was a proper course of action, but because I believed it was in the interests of the railways themselves. As a matter of fact, it seems to me that the principle was decided at almost our very first meeting when a motion was made by one of the members of the Committee that copies of the expense account be produced for the information of the Committee. At that time I asked a member of the Executive Committee of the present Board of Directors, Mr. Boys, whether he thought it was in the interest of the railways

that that information should be disclosed. He said no. He was supported in that by the President of the Canadian National Railways and the matter came to a vote, and a motion was carried that that information be not given in that way.

It seems to me that then the matter was settled as a matter of principle, but it was again later reopened, and a sub-committee was appointed.

I want to make it clear once more—and I think members of the Committee will believe me when I say—that I am not in favour of suppressing any information that might be in the interest of the public, or of the railways, that it should become public; but I cannot for the life of me see why this information on a matter that, in some respects, I think, is trivial and in others maybe more or less important, should be discussed in this Committee.

Mr. KENNEDY: How do you know it is trivial if you have not got it?

Hon. Mr. EULER: I happen to know something about it and I happen to know some of the charges that have been made here have been rather trivial.

My contention always has been that in a matter of this kind, or in matters of this kind which are contentious in a way, they should be left to the Board of Directors, or to a Committee of the Board of Directors. I was going to say that the present Board of Directors which, I think, should have the confidence of the majority of the members of this Committee, and, I will say, has the reasonable confidence of myself, and perhaps the members sitting on this side, although there is no particular significance in sitting on one side or the other. That is, we have confidence in that Committee, and also knowing that the present Board of Directors has formed a sub-committee which is charged with the definite work of reviewing expense accounts, and those accounts cannot be accepted and paid without the approval of that Committee; why, then should we in this body try to duplicate work or anticipate work that is being properly done by that Committee? I would ask what good can be done. If any good purpose can be served, so far as I am personally concerned, I would support it; but I cannot see that anything but harm can be done.

I am not going to question the sincerity of those who are making inquiries and criticisms, but I do believe that much of what has taken place in this Committee has resulted, intentionally or not, in destroying a certain measure of confidence in the Canadian National Railways and its officials, and I say that the kind of injury that has been done is infinitely greater than any small injury that might result by transferring this work of investigation and dealing with the question to the proper authority, namely, the Board of Directors of the Canadian National Railways; and, believing that, Mr. Chairman, I am going to make a motion, so that we might as well have the matter settled one way or the other.

The CHAIRMAN: There is a motion, Mr. Euler.

Hon. Mr. EULER: I will make an amendment then.

The CHAIRMAN: Dr. McGibbon moved, as I understand it, that the specific information referred to in his memorandum dated the 20th April—

Hon. Mr. EULER: There is a motion then?

Mr. STEWART: What page?

The CHAIRMAN: Page 217.

Mr. POWER: I don't think it was formally put.

The CHAIRMAN: I quite agree. I never put the motion.

Mr. DUFF: Will you be good enough to read it, Mr. Chairman?

The CHAIRMAN: Apparently it is not in the minutes.

Mr. GRAY: It was not in the form of a motion, Mr. Chairman.

Mr. MCGIBBON: I don't intend to sit here and have you tell me what I did. I moved it.

Mr. GRAY: Well, the records ought to show.

Mr. McGIBBON: I think I have a right to speak. Mr. Euler can take whatever stand he wishes, but he is not going to dictate to me what stand I am going to take. He is not the tax payers of this country. You decided this matter and appointed a sub-committee of three to look into it. We looked into it. We asked for vouchers in order that the matter may be submitted to this Committee. Mr. Euler has referred to certain improvements that have taken place. I will grant you they have taken place, but they did not take place until January of this year and they would not have taken place at all if it had not been for the work done by this Committee last year. And we have saved this country millions of dollars,—no getting away from that.

Now, Mr. Chairman, I am just going to tell you a little bit of what we found.

Hon. Mr. EULER: Wait—

Mr. McGIBBON: No, I won't wait. We went down there and found there had been practically no check on the higher officials at all. I don't want it to come out, and it makes it rather difficult to speak on this matter, but all the officials of the Canadian National Railways—

Hon. Mr. CHAPLIN: If there is anything that should be said only to the Committee, Mr. Chairman, you should clear the room of everyone but the Committee.

Hon. Mr. EULER: On a point of order, if I may—

The CHAIRMAN: Wait. There was a formal motion put to the chair, and I suggest to Dr. McGibbon that it would be advisable for him to make his report at a later stage. Let us decide the principle involved now before the chair, if you please.

Hon. Mr. EULER: I am trying to find out whether I should move an original motion or an amendment.

The CHAIRMAN: I am trying to assist you, Mr. Euler.

Hon. Mr. EULER: I think we should establish that first, Mr. Chairman.

The CHAIRMAN: I cannot find that there was any formal motion put. I suggest to Dr. McGibbon that he put his position in the form of a motion, that the information referred to in his memorandum dated the 20th April, 1922, signed by himself and Mr. MacMillan, be disclosed to this Committee by the officials. That would be the formal position before the chair, and then it would be in order to make an amendment.

Hon. Mr. EULER: I take it from that, then, that there is no motion.

The CHAIRMAN: I cannot find any motion in the minutes. The clerk says there is none. I think Dr. McGibbon ought to have the opportunity of making a formal motion, if he so desires.

Mr. KENNEDY: Dr. McGibbon was pressing for a vote on his motion just about the time we adjourned last day.

Hon. Mr. EULER: If he desires to make his motion I am quite content to submit an amendment, but I very much question; it may have been his intention to submit a motion, but I am quite sure it was never recognized that a motion had been submitted.

Mr. McGIBBON: I don't like to monopolize the time, Mr. Chairman, but I put in your hands a signed document, and asked that that information be supplied.

The CHAIRMAN: Well, there is no formal motion before the chair. Will you make that now?

Mr. McGIBBON: I make the motion now, that the information asked for in that document be presented to this Committee.

MONTREAL, April 20, 1932.

Memorandum for Mr. J. B. McLaren, Comptroller, Canadian National Railways

Confirming verbal request made as a result of a partial examination of headquarters' expense accounts we would ask you to furnish the Sub-Committee enquiring into the same with the following:—

(a) Copies of expense vouchers, and supporting statements showing the itemized amounts, for the years 1930 and 1931 for the officials enumerated below. The name of the official might be left off, so long as the voucher is keyed to the letter designation placed opposite each name. The receipts attached to the voucher need not be copied but where these occur, the letter "V" might be shown opposite the corresponding item to indicate that a voucher was filed to support the expenditure. In the case of officials not required to submit receipts, a notation to such effect might be made on the account.

A.—Col. Hiam,

B.—Dr. McCombe,

C.—W. D. Robb,

D.—G. A. Gaston,

E.—C. W. Johnston,

F.—W. S. Thompson,

G.—G. H. Lash,

H.—C. F. Goldthwaite,

K.—A. J. Hills,

J.—R. B. Teakle,

K.—P. M. Butler.

Also, from other regions:—

L.—C. G. Bowker,

M.—W. J. Barker,

N.—C. J. Smith.

We also would like to receive a statement showing for the years 1930 and 1931 the amounts, not included in the expense accounts of officials, expended for the operation of private and business care while in the service of such officers, including provisions drawn from stores. The expenses of the President in this connection should be stated separately.

It is desired also to have furnished copies of the monthly statements of disbursements in the years 1930 and 1931 from the so-called Hobbs & Shaw Trust Account, showing for each item of \$25 or over the destination and purpose of the payment, briefly stated. It may be that you will have to refer this request to Mr. Hobbs in whose custody the accounts appear to be.

It will be appreciated if the copies of vouchers for those at headquarters are furnished as soon as possible, following later with those referred to from other regions.

(Sgd.) F. R. MACMILLAN.

(Sgd.) PETER MCGIBBON.

The CHAIRMAN: Now, Mr. Euler?

Hon. Mr. EULER: I move, in amendment, seconded by Mr. Duff:—

Whereas with the limited time at their disposal, and after an investigation of only a few hours, two members of a sub-committee, namely, Messrs. McGibbon and MacMillan, would not be able to obtain such complete information as will enable them to present a true picture of the situation which these gentlemen have under review, involving as it does the examination of disbursements approximating \$1,900,000 covering the travelling expenses of 3,500 persons distributed amongst 43,000 accounts;

Whereas the recognized custom of large corporations is to deal with matters of administrative details, such as expense accounts, through duly constituted boards or sub-committees thereof, who enjoy the confidence of the shareholders;

Whereas the Board of Directors and the management of the Canadian National Railways are fully empowered, and can most effectively deal with such matters;

Whereas a sub-committee of the executive of the Board of Directors of the Canadian National Railways is at the present time inquiring into matters similar to that to which the attention of Messrs. McGibbon and MacMillan has been directed;

Whereas this committee is of opinion that the isolation and presentation to the public of the expense accounts of approximately ten or twelve officials and their ex parte analysis will only serve to impair the morale of the Canadian National organization, and prejudicially affect the efficiency of the Canadian National Railways system itself.

Resolved, that any report of Messrs. McGibbon and MacMillan be submitted to the Executive Committee of the Board of Directors of the Canadian National Railways for its information and such action as may be thought fit and proper in the circumstances.

The CHAIRMAN: Gentlemen, the question is on the amendment. Does anybody desire to speak on the motion?

Mr. MCGIBBON: Yes, Mr. Chairman. This is rather a new departure in parliamentary government if members of the House of Commons are denied information from employees or officials of the government.

Now, it is all nonsense to say the Board of Directors meeting once a month or once every two weeks can look into these things. If you take the thing to them they tell you they cannot do it, that is all. They meet once a month; there is an agenda placed before them, and by the time they get through that agenda the day is done. I have talked to them and they tell me it is practically impossible for them to go into these things.

As a practising surgeon for the last thirty years I have learned that when you find a man with a serious disease you have got to have courage to cut and cut deep sometimes to save the patient. I cannot get away from that principle. Now, this thing has been existing for years. Last year was the first year we got any information, and I say it without any hesitation there is some startling information disclosed. I think this country has a right, this Committee have a right, I have a right—and I refuse to surrender my right to Mr. Euler or anybody else—

Hon. Mr. EULER: I am not asking you to surrender anything. You have your view and I have mine.

Mr. MCGIBBON: It is my right to get this information. You sent us down there to get this information. Now, what is the matter with it? Don't you want it, or do you want it?

Mr. GRAY: Make your report, then.

Mr. MCGIBBON: When I make my report I want something to prove and that is what I want this information for. And I say, Mr. Chairman, we have a right to it, and this Committee is not doing the public any good by smothering it, you are doing it harm. A frank free statement of affairs of these railways is what the people of this country want and they are going to have it, don't make any mistake about that. I submit, Mr. Chairman, this Committee have a right to that information. I do not claim any special privilege, and I don't think Mr. MacMillan does. We got this information. We went after it for the Committee, and we want it for the Committee and then the Committee can decide what

they want to do with it. But it is absolutely inconsistent, there is no rationality in it; they send us down there to get information and then refuse to receive it from us. What rationality is there in that?

And I might say this, Mr. Chairman, if this thing had been investigated four or five years ago, in my opinion, this country would have saved a lot of money. The Canadian National Railways, at the top, are just simply run wild. I do not want to be accused of reflecting on any official. They have a lot of fine officials; practically all of them are good conscientious officials, but it is the system that I am protesting against. It is very difficult to make reports, very difficult to show something without being considered as casting a reflection on someone, but I say what I am trying to get at is the system which, in the past, has been simply awful.

I am glad to say that this year I am informed there has been considerable improvement, and I have no doubt in my mind at all that from the ventilation that was given to this matter last year in Committee, and by close scrutiny and analysis and check of this system it is the only way you are going to save those National Railways. I supported taking those roads over and I want to see them prosper. I believe that they are going to be a great instrument in the development of this country, an instrument that a private institution could not possibly be, but the way it has been conducted in the past, why that is a different thing. Honesty is a great thing, a great principle, and an open display of the facts will get you farther with the public than anything else.

Now, then, don't receive this information; it doesn't matter to me if you don't want it, that is your privilege. You can take the responsibility of smothering it to the public, but representing the taxpayers of this country, I say they have a right to know how things are being conducted. That railway has cost this country a lot of money and is going to cost us a lot more money. You have to have at least an operating profit of ten per cent more than you ever had in order to pay the interest on the bonds that you owe the public.

What Mr. MacMillan and I want is to get all these accounts in order to illustrate the system which has been in vogue in the past. If you people don't want this information, all well and good, but I have got it and I purpose using it.

Hon. Mr. CHAPLIN: Last year, you will remember, we were in exactly the same situation. Certain questions had been asked in the House of Commons in respect to certain matters connected with the Canadian National Railways, and we were told by the Minister that it was not in the interest of the railway that this information should be given, and we were told by Mr. Euler to-day that you were going to destroy the morality, the morals of the railway, by giving this information. Let me tell you, Mr. Chairman, the morality of this railway in a great many respects, is already destroyed. They have destroyed it themselves, that is what has destroyed it, and if the Committee are to be blamed for bringing out the truth then this talk about the morals being destroyed—

Hon. Mr. EULER: I did not say morals, Mr. Chaplin.

Hon. Mr. CHAPLIN: Well, Mr. Chairman, you know very well that from the very inception last year we were told that this information should not be given. The information has partly come out. Part of this information in respect to this \$1,900,000 account was brought out. We all knew that the great majority of that account was all right, but there were things in there that they did not want disclosed.

What I do want to get out of that account is this: I hear that certain individuals have been allowed the privilege of passing in accounts to be paid for meals in clubs. Those accounts were in there and they could not be got at unless the facts were disclosed.

It would take some time to get it, no doubt, but it would have been a good thing for the railroad company and a good thing for the committee, if it had been disclosed.

There are other accounts that Mr. MacMillan and Dr. McGibbon were sent down to get. Mr. Euler says that you must have a true picture. How can you get a true picture without the accounts themselves being before the Committee. That is the only way you can get a true picture. Without them you do not get anywhere. To say that you are destroying the morals of—

Hon. Mr. EULER: Now, Mr. Chaplin, I protest. I never said anything of the sort. I am not talking of the morals.

Hon. Mr. CHAPLIN: You are impairing the morality of the road.

Hon. Mr. EULER: No, the morale.

Hon. Mr. CHAPLIN: All right Mr. Chairman, we will make it the morale. Impairing what, morale? Well, I will tell you it needs some correction; this morale that he talks about needs some correction, and that is what we propose to give it.

Mr. DUFF: Mr. Chairman, in seconding this motion of Mr. Euler's I feel as I did several weeks ago when this matter first came up. You remember sir, that when that discussion took place and when one of the members of this committee suggested a sub-committee to go into these matters, I made a statement that I felt if it was to be gone into properly it would take at least six months to get what some of the members termed a full picture of the proceedings.

Hon. Mr. CHAPLIN: It would take more than that.

Mr. DUFF: Mr. Chaplin interjects now to say it would take more than that. Well sir, if we are going to have a true picture I do not see how this committee is going to get it in the short time that we have to go into matters in connection with this great enterprise. You will remember sir, I also, on a point of order, raised the question that we had dealt with the 1930 report at the meeting of this committee last year, and we could not go back farther than any expenditures in connection with the 1931 business. I still contend that my argument was good, and that this committee if it feels it should go into those details, should deal only with the 1931 expenditures. I do think however, especially after hearing what Mr. Boys said, who is one of the directors, and chairman, if I remember correctly, of the sub-committee of the executive. He made a statement here when he was on the witness stand, that he and the other directors were willing to take full responsibility and to go into all the details which this committee was seeking in regard to the expenditures mentioned by several members of this committee.

I feel in the first place that it is not our duty to go into those details, because if we do go into them, it will take us a very long time, without getting all we require. I notice in Dr. McGibbon's remarks, that he said he had the information. Well, if he has the information, I think you will agree with me that all that is necessary is for Dr. McGibbon and Mr. MacMillan to make a report of their investigation. I cannot for the life of me see, however, how they could in the short time at their disposal, make a comprehensive report, and I do submit in the circumstances, and in the interest of the railroads, that it is much better if these matters were left with the directors to deal with because they can take all the time that is necessary. Somebody said that they meet only once a month. That may be quite true as far as the general Board of Directors is concerned, but there is no reason why, if this is the important matter that some members of the committee think it is, the Board of Directors could not meet every day until they investigated the whole matter properly, if it is worth investigating. It is an important matter, and I submit sir, to you, that it is a

matter for the directors to go into in detail, and it is our right to give to the directors any information we have regarding this matter, so they can investigate it properly.

I think it was Mr. Chaplin who referred to an account of one of the directors, and he said that this gentleman had been receiving certain sums for expenses and had not filed any vouchers. Well Mr. Chairman, that is not unusual. I know directors—

Hon. Mr. CHAPLIN: I never said he had not filed any vouchers.

Mr. DUFF: Somebody said that the other day.

The CHAIRMAN: That is not the matter under discussion.

Mr. DUFF: It is in connection with this matter. We are dealing with all these amounts which go to make up this \$1,900,000. In that large amount I would presume would be some of the expenses paid to the directors. Now, as I say it is not an unusual thing for directors to ask for their expense account without filing vouchers. My opinion is if a director is to be compelled to file detailed statements of the tips he gives to porters, and the other things that he has to pay out when he is travelling in the interests of the railway, that it seems to me that this Government and the late Government should not have sufficient confidence in that person to keep him on the board. Now, it is well known to me and to most of us that directors do not always file expense accounts. Take, for instance, cabinet ministers. Cabinet ministers, ever since I have known of them, and I think I am right, never file detailed statements of their accounts, if they go to the Old Country or if they travel to Vancouver or anywhere else. When they come back my information is they say, my expenses were so much, and it is paid by the Government or by the Treasury. Now, it seems to me that the directors in this large enterprise are in exactly the same position, and it should not be held against any director when he puts in his total amount of expenses, that he has not included a detailed statement of every cent that he expended on the trip.

I respectfully submit in the first place, sir, that we are going beyond our functions in having those matters come up before this committee. It is a matter entirely for the directors to go into. I submit, in the interests of good business and in the interest of the Canadian National Railways; and I think it would be much better, if this whole matter were left to the directors. Mr. MacMillan and Dr. McGibbon can make their report and if they know of any other matters which should be investigated, or if any other member of the committee knows of any matters that should be investigated, it is their duty and our duty to report them to the directors and have them deal with them.

The CHAIRMAN: Mr. Euler, might I suggest that the wording of the pertinent part of your resolution be changed from the Board of Directors to the Executive Committee of the Board of Directors?

Hon. Mr. EULER: Yes.

The CHAIRMAN: I think it would be better.

Hon. Mr. EULER: They would, no doubt, refer it to that committee, anyway.

The CHAIRMAN: The executive meets once a week. With your permission I can make that change.

Mr. MACMILLAN: Mr. Chairman, I want to concur in the remarks of Mr. McGibbon. Mr. Duff has just said ministers of the Crown do not have to give any statements or any vouchers in regard to their expenditures. I would point out to him that the Auditor General sits on top of that.

Hon. Mr. EULER: No, he does not.

Mr. MACMILLAN: He has a right to, if he wants to.

Hon. Mr. EULER: Probably he has.

Mr. MACMILLAN: In days gone by, the financial aspect of the National Railways used to be checked by the Auditor General, but it was taken out of his hands, and since then it has become progressively extravagant, I may say, without any fear of contradiction. This sub-committee went to Montreal, and we did not go there to make an exhaustive study of this \$1,900,000 expense account, we went there to confirm certain ideas we had in view of the extravagance of the high officials, and we confirmed it to the hilt.

Now then, we could not stay there. Let me give you an illustration. We were looking into one account in the afternoon, and it was known we would be there next morning. The next morning that account was locked up in the safe and we could not get it. I do not know why it was done, but that is the fact. I cannot for the life of me, as a business man of a good many years standing in Western Canada, see what harm it is going to do to have the expenses brought to the light of day. The people of this country are entitled to that knowledge, surely. It is our railroad; it is our money there is in it, and I think it is only fair and right that we should take the people into our confidence, and tell them just exactly where we are getting off. The Minister said the other day when he came into office he found the commitments of the National Railway to be \$270,000,000; is that correct?

Hon. Mr. MANION: No. I said the committals were \$270,000,000 in 1929, and \$158,000,000 remained when we came into office.

Mr. MACMILLAN: All right. Our road lost last year \$56,000,000. It made \$1,000,000, as I understand it, over its operating cost, and lost \$57,000,000.

Hon. Mr. EULER: May I just interject there? I certainly do not want to interrupt my friend—

Mr. MACMILLAN: You are very smooth.

Hon. Mr. EULER: —but I rise to a point of order. I do not see that we are discussing this item at all. We are discussing the expense account, not the commitments of \$270,000,000.

The CHAIRMAN: The discussion took a pretty wide range. Mr. Duff went far afield, and I am not disposed to curtail discussion.

Mr. MACMILLAN: I do not want to cause any embarrassment. I was simply mentioning the condition of the railroad, and to illustrate a point that the people of the country desire information on, and that is the exact position in which we are in; and they also desire to know how this great property of ours came to get into this financial condition. I think they are entitled to that information. I have no quarrel with the National Railway as such. I know the rank and file of the National Railways are just as loyal and honest and square men and women as you can find in this country, but they have been let down. When you ask the officials at the top of the railway who are drawing those terrific salaries to take a cut of ten per cent, along with the pumpmen who are getting \$90 to \$100 a month, and who have been cut ten per cent, what happens?

Mr. BEAUBIEN: That is the principle the Government supported.

Hon. Mr. CHAPLIN: I just want to ask a question. Some ten days ago I asked for the expense account of Mr. J. Gill Gardner. His name was brought out in this discussion, not by me, and I asked for that information. If this amendment of Mr. Euler's carries, do you consider that I am to be shut off from that information?

The CHAIRMAN: I do not see it shuts you off.

Hon. Mr. EULER: No, not at all.

The CHAIRMAN: It is directed against the expense accounts of the officials, not directors. They are two entirely separate things. The question is on the amendment. Does anybody else desire to speak?

Mr. GOBEIL: If there is going to be a vote taken, I wish to make a few remarks. When Mr. Euler read his amendment, my first impression was that I would vote in favour of it, my reason being that although I believed that the investigations made on the Canadian National Railways were proper, as far as I am concerned, I think my duty is to look more into what is going to happen in the future than what has happened in the past. For that reason I felt inclined to vote in favour of Mr. Euler's amendment, but I did not think it went as far as it does. If the amendment of Mr. Euler is carried I think the people of this country will feel that perhaps we are not doing the right thing, because, if I understood it correctly, the information would not be given to the committee. I believe that if some of the information asked for, if not all, could be given, it should be given to the committee. If we have to decide as to the publication of a public discussion of this information, I would certainly vote against it. I am in favour of the committee being supplied with all possible information, but I do not see what we can gain by making it public. As I said before, I think I am satisfied that errors have been made in the past, and that the investigations of this committee last year and this year, have rendered this country a real service. But in the meantime I think they have gone too far, and if we do not get the information, I think we are destroying in the public mind a certain amount of confidence that we should not do; and for that reason I think I am going to vote against the amendment of Mr. Euler, because if I understand it correctly, it deprives the committee of getting the information that they properly should get. I will absolutely reserve my decision as to my attitude in the future when the accounts come up and information that may be given to the committee.

The CHAIRMAN: Is the committee ready for the question?

Mr. BEAUBIEN: I ask that the vote be recorded, Mr. Chairman.

Hon. Mr. MANION: I was hoping that the vote would be taken without the Minister being forced to vote. I would in effect, be put in the same position as I was the other day. I was going to ask the committee, since there are reasons why I should not vote for or against, permission for the vote to be taken without my voting.

Mr. GRAY: We will excuse you.

Hon. Mr. MANION: If you care to let me offer my vote afterwards, should it be necessary, I should appreciate being left out of it. I shall only offer my vote if it is absolutely necessary.

Yeas: Beaubien, Bothwell, Duff, Euler, Gray, Heaps, Munn, Power—8.

Nays: Cantley, Chaplin, Fraser, Gobeil, Kennedy, McGibbon, MacMillan, Rogers, Stewart—9.

The CHAIRMAN: The amendment is lost.

Mr. DUFF: What is the vote.

The CHAIRMAN: Nine to eight. The clerk made an error and counted Messrs. McGibbon and MacMillan as voting yea.

Mr. POWER: Would you read the vote so that we may get it straight.

The CHAIRMAN: All right. I thought the clerk was in error because it did not tally with my check. The following voted yea and nay.

Yeas: Beaubien, Bothwell, Duff, Euler, Gray, Heaps, Munn, Power—8.

Nays: Cantley, Chaplin, Fraser, Gobeil, Kennedy, McGibbon, MacMillan, Rogers, Stewart—9.

Mr. STEWART: I voted too.

The CHAIRMAN: Yes. That is right. The amendment is lost. The question is on the main motion.

Mr. DUFF: I would like to have the vote recorded.

Mr. GOBEL: Am I too late to ask that the motion be read?

The CHAIRMAN: The motion is that the information sought for in the memorandum dated April 20, signed by Messrs. McGibbon and MacMillan be produced by the railway company to the committee. That is the motion as I understand it. It has not been introduced in writing.

(The committee divided on the main motion which was carried on the same vote reversed.)

The CHAIRMAN: What is the next business we have to take up? We can hardly expect that all the information is ready for the committee to-day, but there are a number of questions which have been asked and perhaps they can be disposed of. If not, I would ask the committee to take up the consideration of the estimates which were referred at the opening of the session.

Sir HENRY THORNTON: Mr. Gray asked:—

Question: Comparison of the number of tons of freight moved in 1925 as compared with 1929, and the number of passengers carried in 1925 as compared with 1929?

Answer: Freight and Passenger statistics for the Canadian National Railway System, including Eastern Lines and excluding Central Vermont, are as follows:—

	1925	1929
Revenue tons carried.. . . .	54,999,257	65,213,335
Revenue passengers carried.. .	21,675,234	19,251,458

Mr. KENNEDY: Have you any statement showing the relative investment in railway rolling stock necessary as the result of passenger service and freight service—the total cost to the railway of both?

Sir HENRY THORNTON: Yes, we have that.

Mr. KENNEDY: There is a great deal of discussion as to whether freight or passenger traffic is a paying or losing proposition; I would like to have that information.

Sir HENRY THORNTON: I think we can give that to you in a moment.

The CHAIRMAN: The passenger traffic has gone back progressively for the last four or five years.

Sir HENRY THORNTON: Yes.

Mr. KENNEDY: I was wondering what the relative losses of the two departments were to the railway.

Mr. FAIRWEATHER: The railway investment in passenger equipment and freight equipment?

Mr. KENNEDY: And the cost of running passenger trains.

Sir HENRY THORNTON: The cost?

Mr. KENNEDY: Yes; the cost of passenger service and the cost of freight service which takes in capital investment, and the cost of operation as well.

Sir HENRY THORNTON: We could not give that offhand. We could take a note of it.

Mr. KENNEDY: I did not think you could, but I would like to get it.

Sir HENRY THORNTON: The Chairman asked this question:—

In addition to the land for the terminal, was any portion bought for the purpose of the Nova Scotian hotel? Answer: No.

The CHAIRMAN: Somebody suggested—I think Mr. Duff—that they had had to buy some land.

Mr. DUFF: I was not really sure. I wondered where that land came from; but Sir Henry's answer is quite sufficient; it was part of the terms of the purchase.

Mr. FAIRWEATHER: Mr. Bell asked:—

(1) Question: What has been the earned revenue of the Canadian National Railways from Passenger and Freight Traffic originating in the various Provinces for the last five years?

Answer: No record is kept of the Freight and Passenger Revenue by Provinces. The following statement shows tons of revenue freight originating in the various Provinces, which is the only information available:—

	1927 Tons	1928 Tons	1929 Tons	1930 Tons	1931 Tons
Nova Scotia.. . . .	1,605,406	1,865,695	2,014,144	1,841,967	1,530,731
Prince Edward Island..	211,974	247,706	265,881	293,392	243,158
New Brunswick.. . . .	1,404,225	1,416,832	1,562,085	1,554,747	1,088,969
Quebec.. . . .	5,461,547	5,771,743	6,314,941	4,986,923	3,937,336
Ontario.. . . .	12,599,737	13,558,274	13,153,872	10,971,710	7,877,129
Manitoba.. . . .	2,527,088	2,948,504	2,403,721	2,236,767	1,822,467
Saskatchewan.. . . .	4,177,400	5,582,184	3,558,667	3,630,141	3,530,000
Alberta.. . . .	3,946,829	5,052,531	3,851,169	3,269,215	3,027,532
British Columbia.. . . .	1,050,755	1,283,469	1,359,878	1,030,738	707,472
Total.. . . .	32,984,961	37,726,938	34,484,358	29,815,600	23,764,794

Mr. Bell asked the following questions:—

(2) Question: What expenditures in the building of new branch lines or repairing of old lines have been made by the Railway in the various provinces?

Answer: The segregation of these figures to individual years would involve considerable labour. The capital expenditures for branch line construction in Canada for the period 1923 to 1931, by provinces, is as follows:—

Province of Prince Edward Island.. . . .	\$ 367,708 18
Province of Nova Scotia.. . . .	3,755,699 21
Province of Quebec.. . . .	9,056,573 38
Province of Ontario.. . . .	3,413,313 08
Province of Manitoba.. . . .	9,862,745 83
Province of Saskatchewan.. . . .	30,803,441 52
Province of Alberta.. . . .	8,658,296 30
Province of British Columbia.. . . .	5,210,853 33

(3) Question: What revenue has been realized in grain shipments, by provinces?

Answer: Answered by number 1.

(4) Question: How much grain—total tonnage—has been shipped via Churchill over the Hudson's Bay Railway?

What are the gross receipts of all other traffic over the Hudson's Bay Railway?

What was the total cost of operation of Hudson's Bay road since its opening?

Answer: The Canadian National Railways does not include the Hudson's Bay Railway operations in its accounts.

We can get that information for you. Then Mr. Bell asks:

(5) Question: Have the Western Wheat Pool, or other Canadian interests, built grain and storage elevators at Buffalo or other United States ports? Does such diversion mean loss of revenue to Canadian railways and Canadian ports—and if so, what is a conservative estimate of the loss?

Answer: The movement of Canadian grain to market by various routes is governed by commercial considerations, as well as transport facilities, of which the railway is only one factor. It is impossible to estimate in advance how much grain will move via one route as compared with another.

(6) Question: How much American grown grain was carried by Canadian railways during the past five years? What revenue was derived therefrom?

Answer: Impossible to furnish this information. The total handlings of foreign grain (largely U.S.) at Eastern Canadian elevators during the crop years 1924-25 to 1929-30:—

	Bushels
1924-25..	173,193,165
1925-26..	97,325,418
1926-27..	114,475,015
1927-28..	184,972,351
1928-29..	172,054,915
1929-30..	82,716,409

(See Grain Trade of Canada, 1930—page 25).

(7) Question: How much Canadian grown grain was carried by foreign bottoms? What loss of revenue did this mean to Canadian shipping interests?

Answer: Impossible to state as regards ocean tonnage. Shipments from Fort William and Port Arthur for the crop years 1926-27 to 1929-30 inclusive were as follows:—

	Cargoes in Canadian vessels	Cargoes in British vessels	Cargoes in U.S.A. vessels	Cargoes in other Foreign vessels
1926-27..	810	—	456	5
1927-28..	788	—	508	2
1928-29..	854	6	627	10
1929-30..	539	5	230	—

(See Grain Trade of Canada, 1930—page 82).

Then there is the following question by Mr. Beaubien:—

Question: Reduction in train mileage that took place last fall as per agreement between the two railway companies—number of train miles and the reduction by the Canadian National Railways and by the Canadian Pacific Railway?

Answer: In putting into effect reduced passenger train service each railway made such reductions as were considered advisable. Generally speaking there was no basis of agreement between the two systems, but with regard to cases where the change in service affected the competitive situation between the two railways there was an interchange of views.

The total reduction in train mileage made by the Canadian National Railways in the fall of 1931 was as follows, the figures being those which would result in a full year's operation of the reduction:—

Reduction Sept. 27, 1931..	1,117,253
Reduction Nov. 22, 1931..	3,223,838
Total..	<u>4,341,091</u>

Sir HENRY THORNTON: Mr. MacMillan asked a question for a statement showing employees receiving pensions in excess of what the pension scheme calls for, each year, during the last five years. This is a very long statement.

The CHAIRMAN: Take it as read and have it included in the minutes.

By Mr. MacMillan:

Question: Statement showing employees receiving pensions in excess of what the pension scheme calls for, each year, during the last five years?

SELECT STANDING COMMITTEE

Answer:

EFFECTIVE 1927	Name	Occupation	Location	Age	Service	Accumulative Service	Effective Service	Annual Amount Granted	Amount Entitled under Scheme	Excess Amount
EFFECTIVE 1928	Dubreuil, J.	Lineman	St. Rosalie	66	8	38	April 1, 1927	\$ 300 00		\$ 300 00
	Wilson, R. R.	Clerk	Montreal	58	17		Feb. 1, 1927	200 00		200 00
	*Gayhart, W.	Hostler	Toronto	68	17	51	1, 1927	300 00		300 00
	*Arbing, D.	Labourer	Summerside	85	20		Mar. 1, 1927	240 00		240 00
	Hand, J.	Porter	Hamilton	68	10	37	April 1, 1927	200 00		200 00
	*Laplante, T.	Elevatorman	Ottawa	74	14		April 1, 1927	200 00		200 00
	Davies, D.	Porter	Winnipeg	83	18		July 1, 1927	200 00		200 00
	Pulford, R.	Section Foreman	Allandale	84	9	31	1, 1927	200 00		200 00
	Bradbury, C.	Gateman	Toronto	56	13		Oct. 1, 1927	200 00		200 00
	Sayer, A. E.	Despatcher	Montreal	49	12	24	July 1, 1927	240 00		240 00
	*Bryan, J.	Conductor	Toronto	61	14	35	July 1, 1927	480 00		480 00
	O'Neil, J.	Signalman	Port Arthur	83	13	24	May 1, 1927	200 00		200 00
	*Geeson, J.	Gateman	Davenport	74	19	44	May 16, 1928	200 00		200 00
	Wilson, H.	Machinist	Toronto	71	17	18	June 1, 1928	200 00		200 00
EFFECTIVE 1929	Kinloch, W.	Clerk	Montreal	76	21		Oct. 1, 1928	350 04		350 04
	*Liddell, R.	Gateman	Toronto	75	19	58	Sept. 1, 1928	540 00		540 00
	Brown, W. A.	Gen. Supt.	Edmonton	66	26		Oct. 1, 1928	3,600 00	\$2,242 80	1,357 20
	*Matthews, Mrs. C.	Manager	Warton	74	16		May 1, 1928	200 00		200 00
	Graham, W. J.	Coalman	Emo	74	11	24	Oct. 1, 1928	200 00		200 00
	Salter, F. C.	Manager	Montreal	65	25	34	Mar. 1, 1928	2,671 92	1,908 40	763 52
	Claek, Miss J. R.	Operator	Toronto	70	9	31	April 1, 1929	200 00		200 00
	Story, H. W.	Agent	Halifax	45	23		June 1, 1929	420 00		420 00
	Watson, P.	Machinist	Montreal	71	16		Mar. 1, 1929	200 00		200 00
	*Hesson, J. H.	Labourer	Stratford	68	17	18	Jan. 1, 1929	200 00		200 00
	Telfer, Miss L.	Manager	Collingwood	55	10	17	Aug. 1, 1929	200 00		200 00
	*Flynn, J. P.	Agent	Tamworth	39	13		Sept. 1, 1929	200 00		200 00
	Blanchette, A.	Labourer	Montreal	69	17	37	Dec. 1, 1929	200 00		200 00
	Hazeltine, T.	Machinist	Montreal	67	11	38	Dec. 1, 1929	200 00		200 00
	Hamel, S. E. A.	Clerk	Quebec	50	14		Dec. 1, 1929	300 00		300 00

EFFECTIVE 1930

Finlayson, F. J.	Conductor	St. Thomas	76	5	26	Jan.	1, 1930	125 00	.....	125 00
Cail, F. E.	Conductor	Kamloops	49	16	21	Jan.	1, 1930	600 00	.....	600 00
Fish, R. H.	Gen. Supt.	Toronto	59	39	.....	May	1, 1930	5,000 00	4,210 68	789 32
Methot, Miss M. C.	Manager	Three Rivers	76	3	22	May	1, 1930	300 00	.....	300 00
Crozier, J.	Carpenter	St. John	73	22	.....	Feb.	1, 1930	200 00	.....	200 00
Connors, C. B.	Brakeman	Niagara Falls	67	23	.....	May	1, 1930	240 00	.....	240 00
Wood, D. O.	Gen. F. T. Mgr.	Montreal	66	11	31	July	1, 1930	6,000 00	5,903 64	96 36
Saunders, Mrs. E.	Charwoman	Toronto	74	25	.....	Jan.	1, 1930	125 00	.....	125 00
Friend, C. E.	Asst. Gen. Compt.	Montreal	59	34	.....	Dec.	1, 1930	6,000 00	4,585 50	1,414 50
Connolly, J.	Cleaner	Montreal	78	19	.....	April	1, 1930	250 08	.....	250 08
Arnold, G.	Ticket Collector	Montreal	75	11	55	Nov.	16, 1930	500 00	.....	500 00
Jarry, J.	Watchman	Waterloo	72	22	58	Nov.	1, 1930	500 00	.....	500 00
Field, E. A.	Land Commissioner	Winnipeg	53	13	26	Oct.	1, 1930	2,400 00	.....	2,400 00
Burk, F. N.	Agent	Ingersoll	44	20	.....	Nov.	1, 1930	300 00	.....	300 00
*Corner, M. A.	Flagman	Winnipeg	36	21	.....	Nov.	1, 1930	300 00	.....	300 00
*Henningsen, W.	Pipe fitter	Montreal	69	16	48	June	1, 1930	300 00	.....	300 00
Alton, J. F.	Section Foreman	Kirkpatrick	66	16	25	May	1, 1930	300 00	.....	300 00
Burns, G. F.	Operator	Flint	45	25	.....	Feb.	1, 1930	300 00	.....	300 00
Tansley, J. A.	Watchman	Hamilton	68	17	38	April	1, 1930	300 00	.....	300 00
Holmes, A.	Labourer	Montreal	73	11	39	Oct.	1, 1930	300 00	.....	300 00
Weldon, A. T.	Vice-Pres.	Montreal	54	16	18	July	1, 1930	10,000 00	.....	10,000 00

EFFECTIVE 1931

Condon, W.	Machinist	Halifax	74	19	39	Jan.	1, 1931	300 00	.....	300 00
Bunting, G. E.	Manager	Australia	57	12	.....	Nov.	1, 1931	1,200 00	.....	1,200 00
Tofts, J.	Machineman	Transcona	70	20	.....	Jan.	1, 1931	120 00	.....	120 00
Harling, N. H.	Labourer	Port Mann	50	3	14	Jan.	1, 1931	200 00	.....	200 00
Walsh, J.	Sectionman	Westville	73	16	33	Jan.	1, 1931	300 00	.....	300 00
Fletcher, A. C.	Signalman	Winnipeg	66	15	21	Jan.	1, 1931	300 00	.....	300 00
Grier, O. M.	Clerk	Detroit	71	21	.....	Jan.	1, 1931	240 00	.....	240 00
Perry, R. F.	Foreman	Prince Rupert	71	20	.....	Jan.	1, 1931	120 00	.....	120 00
Hulme, J.	Cleaner	Ottawa	70	18	32	May	1, 1931	120 00	.....	120 00
Rosevear, J. M.	Gen. Compt.	Montreal	61	34	.....	June	1, 1931	10,000 00	9,717 72	282 28
Harris, C. L.	Supt.	Duluth	66	15	.....	Aug.	15, 1931	1,200 00	.....	1,200 00
Turnbull, T.	Engineer	Winnipeg	74	17	.....	Aug.	1, 1931	1,200 00	.....	1,200 00
Kersey, J.	Switchman	Detroit	70	20	.....	Mar.	1, 1931	300 00	.....	300 00
Hutton, W. S.	Res. Engineer	Islay	73	7	27	June	1, 1931	540 00	.....	540 00
Lefebvre, F. H.	Watchman	Montreal	71	15	31	Oct.	1, 1931	300 00	.....	300 00
Way, W. B.	Supt.	Allandale	63	16	.....	Oct.	1, 1931	1,200 00	900 00	300 00
Rochester, J. Y.	Supt. Ferries	Vancouver	79	15	.....	Nov.	1, 1931	600 00	.....	600 00
Toyn, R.	Switchtender	Bridgeburg	62	20	.....	Jan.	1, 1931	300 00	.....	300 00
Murphy, T.	Punch Oper.	Montreal	70	13	51	July	1, 1931	600 00	.....	600 00

*Deceased.

Mr. FAIRWEATHER: Dr. McGibbon asked this question:—

Question: Cost of equipment of all the medical services, including the cars, x-ray machines and everything of that kind, where they are located, the personnel, salaries, and the total yearly expenses, as well as the total investment?

Answer: (a) Cost of equipment of all medical services, including x-ray machines, ambulances, medical cars, general equipment and alterations, \$52,154.24. (For details see schedule 1 at page 275.)

(b) *Personnel*

Full time employees, including supervisory officers, doctors, nurses, technicians and clerical staffs	67
Part time consultants..	6
Part time doctors..	26
Tariff doctors..	609

Total expenses for 1931 including rentals, medical supplies, fees and personal expenses, \$307,018.61. (For details see schedule 2 at page 275.)

The CHAIRMAN: Would you explain what is meant by tariff doctors?

Mr. FAIRWEATHER: They would be doctors where there is an arrangement with the Canadian National Railways for their services in accident cases or things of that kind on a fee basis.

The CHAIRMAN: All over the country?

Mr. FAIRWEATHER: All over the country.

Hon. Mr. CHAPLIN: Does this amount include their cost?

Mr. FAIRWEATHER: Yes.

Mr. McGIBBON: Are you supplying free examinations to all your employees on the Canadian National Railways, officials and otherwise.

Sir HENRY THORNTON: You mean upon entering the service?

Mr. McGIBBON: No. I mean now.

The CHAIRMAN: Dr. McCombe, the chief medical officer, I understand is in the room. Would you come forward Dr. McCombe.

Mr. McGIBBON: I understand, doctor, that you are called in to give free examinations to conductors, brakemen and practically all of your thirty-five hundred employees?

Dr. McCOMBE: We are doing periodical physical examinations on the hazardous occupations—engine, train and yard men.

Mr. McGIBBON: How often?

Dr. McCOMBE: Every three years before fifty years of age; every two years thereafter.

Mr. McGIBBON: Is it limited to that?

Dr. McCOMBE: Yes.

Mr. McGIBBON: What does that include?

Dr. McCOMBE: It includes locomotive engineers, firemen, conductors, brakemen, switchmen, signalmen and gatemen, all engaged in the conduct of the train service.

Hon. Mr. EULER: What was the total number, approximately?

Dr. McCOMBE: I think, perhaps, Mr. Fairweather could tell you that.

Mr. FAIRWEATHER: I imagine somewhere in the neighbourhood of 20,000 employees.

Mr. McGIBBON: Does that include X-Ray examinations, specialists examinations?

Dr. McCOMBE: It only includes X-Ray examinations where we have an X-Raying machine and where there is some serious condition. None of these men, as far as I know, has ever had to have an X-Ray examination.

Mr. McGIBBON: Are they called in at different centres from all over the road?

Dr. McCOMBE: The arrangement originally made was that they would be examined by their local doctor who was our doctor appointed, but, owing to conditions during the last eighteen months, we are examining very few—only the men who can come in in their own time from the major points where they have full time or part time doctors to examine them.

Mr. McGIBBON: How many points have you?

Dr. McCOMBE: Halifax, Moncton, Quebec, Montreal, Toronto, Winnipeg, Edmonton and Vancouver.

Mr. McGIBBON: All right, thank you.

The CHAIRMAN: Dr. McCombe, how many clinics have you with X-ray and other equipment?

Dr. McCOMBE: Two.

The CHAIRMAN: Where are they?

Dr. McCOMBE: One at Moncton and one at Montreal.

The CHAIRMAN: What is the cost of establishing and maintaining those clinics?

Dr. McCOMBE: I think Mr. Fairweather has the cost—\$41,000. That is included in all the other costs.

Mr. MACMILLAN: Is it the usual practice of railways to establish clinics like this through the country?

Dr. McCOMBE: It is on American roads.

Mr. MACMILLAN: Is it on the Canadian Pacific Railway?

Dr. McCOMBE: No.

Mr. MACMILLAN: How do they handle theirs?

Dr. McCOMBE: They handle their medical service through the Claims Department very largely, all the accidents.

Mr. MACMILLAN: The Claims Department don't pay for any examinations.

Dr. McCOMBE: They pay the doctors. The Claims Department might not pay for physical examinations. That might be charged to the medical service. I was speaking of accidental injury.

Mr. MACMILLAN: What I am asking is, do they employ regular practitioners through the country at different points to carry on that work of inspection for them?

Dr. McCOMBE: I think they do. I think they employ regular practitioners throughout the country.

Mr. MACMILLAN: Have they any full time medical men?

Dr. McCOMBE: I think so.

Mr. MACMILLAN: You don't know?

Dr. McCOMBE: I am pretty sure they have.

Mr. MACMILLAN: How many?

Dr. McCOMBE: Dr. Beatty is one.

Mr. McGIBBON: But they have no clinics?

Dr. McCOMBE: No, they have no clinics.

Mr. MACMILLAN: That is a departure in this country?

Dr. McCOMBE: It is common practice on the American roads.

Mr. MACMILLAN: But it is a new departure in this country?

Dr. McCOMBE: Yes, it is a new departure in this country.

The CHAIRMAN: Dr. McCombe, you are spending a good deal of money compared with your competing system on this service, are you not?

Dr. McCOMBE: I don't think we are spending as much on the medical service per capita as the Canadian Pacific Railway.

The CHAIRMAN: Are you basing that on any facts that you know, or is that just an opinion?

Dr. McCOMBE: The only facts we have to go on, where our accounts are comparable, both railroads joined in presenting evidence before a royal commission in Toronto last year, in connection with the Workmen's Compensation Board, and we both gave our figures for the cost of accidental injury, for a five-year period. The figures for the Canadian Pacific Railway for the five-year period, their expenditure on account of total disability, partial disability, and death, under the administration charges of the Compensation Board was \$1,154,322.90. The total for the Canadian National Railways was nearly double that, \$2,097,724.35. That was explained by our Chief Claims Agent as being due to the fact that we have far more shops in Ontario and more men employed with a higher rate of accident. The Canadian Pacific Railway had an average of personal injuries per year of 882 cases; we had 1,720 cases; but in the five-year period the total cost for medical attention in the Canadian Pacific Railway was \$137,846.20; the total cost for the Canadian National Railways, with double the number of workers practically, was only \$156,271.72. The average worked out on the number of accidents is that each average accident cost the Canadian Pacific Railway \$40.43. Each average accident cost the Canadian National \$18.17.

The CHAIRMAN: What permanent staff have you at Winnipeg?

Dr. McCOMBE: Doctors?

The CHAIRMAN: Yes.

Dr. McCOMBE: That is, full time?

The CHAIRMAN: Yes.

Dr. McCOMBE: Two.

The CHAIRMAN: And how many has the Canadian Pacific Railway got?

Dr. McCOMBE: I think they have two.

Mr. HEAPS: There are far more men employed by the Canadian National Railways than by the Canadian Pacific Railway in Winnipeg?

Dr. McCOMBE: Oh, I am sure of that.

Mr. FAIRWEATHER: I have the following:

“ SCHEDULE 1

TOTAL INVESTMENTS TO DECEMBER THIRTY-FIRST, 1931
(\$52,154.24)

	Equipment	X-Ray Machines	Ambulance Cars	Alterations	Railway Cars
Halifax..	\$ 819 37	....	....	....	....
Moncton..	1,528 40	\$2,643 35	....	....	\$12,752
Quebec..	695 20	....	\$1,367	....	....
Montreal..	16,531 00	2,132 00	2,590	....	....
Toronto	2,186 98	....	....	\$400	....
Winnipeg..	6,619 46	....	....	....	....
Edmonton..	801 36	....	....	426	....
Vancouver	662 12	....	....	....	....
Total	\$29,843 89	\$4,775 35	\$3,957	\$826	\$12,752”

“ SCHEDULE 2

PERSONNEL

The company employs or has some control over 655 doctors who are distributed as follows:—

General Supervisory Officers, 7..	\$39,750 00
Part-time Consultants, 6..	7,300 00
Full-time Doctors, 7..	15,712 04
Part-time Doctors, 26..	26,245 00
Tariff Doctors, 609.	

In addition to the work done by the full and part-time doctors on salary, there is also that of the doctors who are on a fee basis. In the accountancy of the Claims Department the fees paid to them and hospital bills for personal injury are treated as one amount. There are the following items for the year 1931:—

Medical, Nursing and Hospital expense for personal injury..	\$128,092 99
Medical attention to sick passengers and immigrants..	788 30
Medical examinations..	5,617 30
Other employees are as follows:—	
Technical employees, 31..	\$36,371 85
(Includes the Chief Sanitary Inspector, his Technicians, Nurses, etc.)	
Clerical Staff, 22..	24,351 34
	\$284,228 82
Less deductions on account of reductions in salaries.	\$2,813 92
	\$281,414 90
Personal expenses..	7,854 75
Medical supplies and miscellaneous..	5,917 57
Rentals..	11,831 39
Total expenses for year 1931..	\$307,018 61 ”

Then:—

“ Question asked by Hon. Dr. Manion:

Question: Publicity Costs for 1929, 1930 and 1931, including Advertising.

“ Question asked by Hon. Dr. Manion:

Question: Details of reduction of \$1,000,000 in Advertising Expenses, 1932 as compared with 1930.

“ Question asked by Hon. Dr. Manion:

Question: Statement showing amount of all expenses, including Salaries and Personal Expenses of all Members of the Publicity Department, for the years 1929, 1930 and 1931.

Question asked by Mr. MacMillan:

Question: Under heading of Publicity Department, does it include Transportation.

Answer: Answers to the above questions have been prepared in statement form, and are attached hereto.”

CANADIAN NATIONAL RAILWAYS AND STEAMSHIPS
PUBLICITY EXPENSE EMBRACING ADVERTISING, RADIO DEPARTMENT, GENERAL PUBLICITY AND MAGAZINE

	1929		1930		1931		Proposed Expenditure 1932		Estimated Savings 1932 over 1930	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
Advertising Department—										
Salaries and Wages.....	82,595	02	129,725	67	105,099	89	91,500	00	38,225	67
Travelling Expenses.....	7,634	30	15,702	64	14,844	89	13,500	00	2,202	64
Direct Advertising.....	1,681,910	70	1,589,401	05	1,200,640	98	795,500	00	793,901	05
	1,772,140	02	1,734,829	36	1,320,585	76	990,500	00	834,329	36
Radio Department—										
Salaries and Wages.....	159,247	64	169,318	39	143,163	34	52,000	00	117,318	39
Travelling Expenses.....	8,162	72	13,436	56	8,426	09	4,200	00	9,236	56
Rental of Stations.....	54,579	75	60,756	23	51,894	85	27,933	00	32,823	23
Talent.....	117,334	98	95,073	82	59,941	27	30,992	00	64,081	82
Miscellaneous.....	101,756	91	82,018	17	62,822	77	1,125	00	83,143	17
	441,082	00	420,603	17	326,248	32	114,000	00	306,603	17
Publicity Department—										
Salaries and Wages.....	106,835	66	80,318	84	72,332	66	52,000	00	28,318	84
Travelling Expenses.....	21,300	00	20,151	20	15,206	81	13,000	00	7,151	20
Electros and Photographic Material, etc.....	70,553	54	117,411	76	69,351	63	52,500	00	64,911	76
	198,689	20	217,881	80	156,891	10	117,500	00	100,381	80
Magazine—										
Salaries and Wages.....	9,522	50	10,730	00	13,390	65	14,500	00	9,770	00
Travelling Expenses.....	2,768	66	2,076	89	2,526	27	2,000	00	76	89
Stock (paper).....	39,461	22	38,681	02	35,776	13	20,000	00	18,681	02
Press work.....	31,923	21	28,537	01	23,361	63	12,500	00	16,037	01
Printing and Other Expenses.....	34,896	59	39,502	28	30,941	71	16,000	00	23,502	28
Revenue.....	84,837	50	86,939	65	63,188	40	60,000	00	26,939	65
	33,734	68	32,587	55	42,807	99	5,000	00	27,587	55
	2,445,645	90	2,405,901	88	1,846,533	17	1,137,000	00	1,268,901	88
Total Salaries and Wages.....	358,200	82	390,092	90	333,986	54	210,000	00	180,092	90
Total Travelling Expenses.....	39,865	68	51,367	29	41,004	06	32,700	00	18,667	29
Total Direct Advertising.....	1,681,910	70	1,589,401	05	1,200,640	98	795,500	00	793,901	05
Total Other Expenses.....	365,668	70	375,040	64	270,901	59	98,800	00	276,240	64
	2,445,645	90	2,405,901	88	1,846,533	17	1,137,000	00	1,268,901	88

*Includes Advertising paid for by

Transportation..... 244,112 64

Accounting Department, Montreal, May 2nd, 1932.

209,655 33

164,353 42

140,000 00

69,655 33

The CHAIRMAN: We might have the totals read.

Mr. FAIRWEATHER: "Publicity expense embracing Advertising, Radio Department, General Publicity and Magazine":—

1929..	\$2,445,645 90
1930..	2,405,901 88
1931..	1,846,533 17
1932—Proposed expenditure..	1,137,000 00
Estimated saving 1932 over 1930..	1,268,901 88

The statement shows the division of the expenses between the Advertising Department, the Radio Department, the Publicity Department and the Magazine, and contains at the bottom a distribution of the expenses between salaries and wages, travelling expenses, direct advertising, and other expenses.

In answer to Mr. MacMillan's question, there is a footnote showing how much of the advertising cost is paid for by transportation.

The CHAIRMAN: Just read those.

Mr. FAIRWEATHER: In 1929, advertising paid by transportation, and included in the statement shown above, \$244,112.64; 1930, \$209,655.33; 1931, \$164,353.42; proposed expenditure for 1932, \$140,000.

Hon. Mr. CHAPLIN: Will you be kind enough to explain what you mean by "Advertising paid for by transportation"?

Mr. FAIRWEATHER: I think that question came up in the Committee before, Mr. Chaplin. Briefly, it consists of this,—that a good deal of the advertising we get we won't pay for it except in transportation. It is just a means of paying our advertising bills in transportation.

Mr. KENNEDY: Bartering services.

Mr. FAIRWEATHER: Yes, we pay it in trade.

Mr. DUFF: In other words, you give passes to newspapers for the advertising they give you?

Mr. FAIRWEATHER: They are revenue tickets.

The CHAIRMAN: But they are charged up to each paper and a statement is made periodically?

Mr. FAIRWEATHER: Yes.

Mr. McGIBBON: What is the cost of radio broadcasting, Mr. Fairweather?

Mr. FAIRWEATHER: The Radio Department in 1929 showed a total cost of \$441,082; in 1930 it was \$420,603.17; in 1931 it was \$326,248.32; the proposed expenditure in 1932, \$114,000.

The CHAIRMAN: A saving of \$306,603.17.

Mr. MACMILLAN: How do you effect that saving?

Mr. FAIRWEATHER: The saving of \$306,603.17 is estimated to arise from the following:—

Salaries and wages..	\$117,318 39
Travelling expenses..	9,236 56
Rental of stations..	32,823 23
Talent..	64,081 82
Miscellaneous	83,143 17

Mr. BEAUBIEN: A good deal of that saving would be in radios being taken off the trains?

Mr. FAIRWEATHER: Yes.

Mr. HEAPS: Are those the gross costs or the net costs?

Mr. FAIRWEATHER: Those are gross, Mr. Heaps.

Mr. HEAPS: Is there much difference between the gross and the net?

Mr. FAIRWEATHER: With regard to radio?

Mr. HEAPS: Yes.

Mr. FAIRWEATHER: Of course that is rather a difficult question to answer categorically, because if you start crediting against the radio the result of its advertising value, or even the direct revenue that perhaps our telegraph service gets—

Mr. HEAPS: I am referring to direct revenue that you get from advertising.

Mr. FAIRWEATHER: The revenue from leasing of stations for commercial broadcast in the year 1931 amounted to \$25,669.41; in 1930 it was \$40,246.38. That was revenue from the leasing of our stations.

The CHAIRMAN: Are these figures here, Mr. Fairweather, net costs after crediting any direct revenue?

Mr. FAIRWEATHER: Yes, I would say it would be net.

The CHAIRMAN: But not indirect?

Mr. FAIRWEATHER: Not indirect, no.

The CHAIRMAN: Are there any other questions arising out of this statement?

Mr. MACMILLAN: I was speaking of the magazine the other day and I was told that there was charged to the magazine for salaries a sum of \$18,000. It does not seem a reasonable distribution of that advertising cost. That magazine costs more than \$18,000 in wages to produce.

The CHAIRMAN: Well, the items are all here.

Mr. MACMILLAN: Well, the items may be there, but it is an arbitrary figure; I mean to say the amount is arbitrarily arrived at.

The CHAIRMAN: The amount, as I understand it, didn't come anything near \$18,000 for salaries and advertising.

Mr. MACMILLAN: Well, then, what is it?

The CHAIRMAN: Well, it is here. The magazine cost for salaries and wages in 1929, \$9,522.50; in 1930, \$10,730; in 1931, \$13,390.65; the proposed expenditure in 1932 is \$14,500.

Mr. MACMILLAN: By way of wages?

The CHAIRMAN: That is salaries and wages. Travelling expenses in 1929, \$2,768.66; 1930, \$2,076.89; 1931, \$2,526.27; proposed expenditure 1932, \$2,000. Stock (paper) 1929, \$39,461.22; 1930, \$38,681.02; 1931, \$35,776.13; proposed expenditure 1932, \$20,000. Press work, 1929, \$31,923.21; 1930, \$28,537.01; 1931, \$23,361.63; proposed expenditure, 1932, \$12,500. Printing and other expenses, 1929, \$34,896.59; 1930, \$39,502.28; 1931, \$30,941.71; proposed expenditure, 1932, \$16,000.

Mr. MACMILLAN: Mr. Chairman, my point is a simple one; it is simply to arrive at the cost of this magazine. It is said to be four cents in one year and three point something another year, and my contention is this, that there are not enough wages charged in there to get that magazine out. I have in my hand a copy of the magazine, and the salary list of \$9,000 for one year could not possibly produce that magazine.

Mr. FAIRWEATHER: I might say with regard to that, that of necessity all of our operating expenses are divided between the different departments and between the different sub-departments upon a basis of pro rating.

Mr. MACMILLAN: It is an arbitrary arrangement.

Mr. FAIRWEATHER: It is an arbitrary arrangement. But it is just like any other cost account, and I would challenge this, that you could put in any cost

accountant that you desire on the cost of this magazine and his figures would not depart materially from the figures that are shown here.

The CHAIRMAN: Mr. Bell of St. Antoine asked certain questions.

Mr. McGIBBON: May I have a list of those taking part in broadcasts and the salaries paid within the last few years?

The CHAIRMAN: Make a note of that, Mr. Fairweather. They will endeavour to get you that information, Dr. McGibbon.

The CHAIRMAN: In answer to Mr. Bell's question No. 4, Mr. Smart, the Deputy Minister, replied:—

The replies to Mr. Bell's question No. 4, attached, are as follows:—

Grain shipped over Hudson Bay Railway during the past
five years

1927/28..	Nil
1928/29..	"
1929/30..	33 bushels (1 ton)
(Publicity shipment by Hudson's Bay Co.)	
1930..	Nil
1931..	544,760 bushels (16,343 tons)

The gross receipts of all other traffic over the Hudson Bay Railway during the past five years are:—

1927/28..	\$ 95,049 58
1928/29..	118,759 31
1929/30..	106,139 02
1930/31..	298,125 62
1931/32 (9 months)..	322,249 39

The Hudson Bay Railway is still in the hands of the Construction Department of the Canadian National Railways and the net operating costs are chargeable to capital.

The CHAIRMAN: Those are all the questions, I understand.

Hon. Mr. EULER: Did I understand you correctly, Mr. Chairman, to state that the net operating costs are charged to capital?

The CHAIRMAN: That is the memorandum supplied by the Deputy Minister.

Hon. Mr. EULER: Under what principle is that?

Mr. SMART: The railroad is still under construction, Mr. Euler, and, therefore, it is operated by the construction department, and any revenues which go to it are credited to the cost of construction.

Hon. Mr. EULER: You are taking it, then, as a matter of operating the railroad which does not really exist?

Hon. Mr. MANION: Nearly all this operating revenue is derived from carrying their own materials.

Mr. SMART: Contractors' materials and things of that sort.

The CHAIRMAN: Mr. Chaplin has handed in the following motion:—

That a statement in gross of each of the expense sheets of the present directors of the Canadian National Railways for the period of the fiscal year 1931 be supplied.

Hon. Mr. CHAPLIN: I just want to make an explanation regarding that: Judging from some remarks I have heard it looks as if I had made a dead set upon one director last year. I did that because of things that had been said in this Committee, and I do not want to have any appearance of playing politics.

I am quite satisfied, therefore, to put in a request for the expense sheets of every director that is there. I am just as much interested in that as I am in any other. I want to see them get down to business and have their expense sheets down too.

The CHAIRMAN: Do you wish that put in the form of a motion?

Mr. BEAUBIEN: It is just an ordinary question.

The CHAIRMAN: Yes, but it has to be in the form of a motion, that the management be requested to give this information. I don't see any objection to it myself.

Mr. BEAUBIEN: I am just as much opposed to that as to the other.

The CHAIRMAN: Then I will put the motion.

Motion carried.

Mr. MACMILLAN: Am I to understand that the questions that were asked have all been answered?

The CHAIRMAN: No, no, all the questions which were asked to which answers are ready have been answered. That was my understanding.

The CHAIRMAN: Gentlemen, you will recall that when we passed without any comment or discussion at all, Bill No. 34, the right was reserved to take up before this committee the items making up this sixty-one and a half million dollars. Really, that is a most important thing that comes before this committee; in my humble judgment, I think we ought to deal with it, rather than spend—I am not making any comment now about the time we have taken on other matters, but we ought to take some time with this—

Mr. POWER: What do you want to discuss in this bill?

The CHAIRMAN: I should like to have the committee go through it. There has been prepared and presented to every member of this committee, a book showing the estimated financial requirements for 1932, and on the very first page you will see how this sixty-one and a half millions are made up. First you will see the proposed deficit, and then following that are certain Exhibits, A, B, and C, giving details. It seems to me this is a most important document.

Hon. Mr. EULER: Is that in this book?

The CHAIRMAN: Yes. I hope members of this committee have read this book and are prepared to discuss it.

Mr. POWER: Most of us have forgotten to bring down our books, because we have gotten so far away from the subject.

The CHAIRMAN: I am trying to get you back.

Mr. POWER: If the chairman will postpone this discussion until this afternoon, we shall all have our books.

The CHAIRMAN: Perhaps we could adjourn now and meet at four o'clock sharp.

This will be the first order of business at four o'clock. Bring your books with you.

Committee adjourned until 4 p.m.

The Committee resumed at 4 P.M.

The CHAIRMAN: Gentlemen, the first order of business this afternoon is Bill 34 of the estimates of the railway for the year. As I pointed out this morning on the first page of this pamphlet entitled "Estimated Financial Requirements, 1932", you will find a statement entitled, "New Money Requirements: net income requirements after interest, \$42,784,610.13; net capital requirements, Exhibits F, P, Q, R, S, \$6,933,738; acquisition of securities, Exhibit E, \$100,000. Total new money requirements \$49,727,348.13."

Now, if you want to deal with these we should deal with the exhibits. First is Exhibit A which shows the requirements: "Condensed Statement of Net Income Resources or Requirements after interest charges new public year ending December 31, 1932." It is divided into three headings, always excluding the Eastern Lines. That is on page 1, Exhibit A.

Mr. BEAUBIEN: Has the Bill passed the house?

The CHAIRMAN: It has gone through. It had to go through because the allocated portion of this deficit has been accumulated since the first of the year and the company had no money, and it was absolutely necessary to put through the Bill in order that provision might be made so that the company could get some support to pay its creditors, outside of their payroll.

Sir EUGENE Fiset: It went through in five minutes without objection from anybody.

The CHAIRMAN: It did. Now, does this committee want to put through this estimate in five minutes?

Mr. DUFF: I move that it go through in one minute.

The CHAIRMAN: Of course, I do not think that is the right way to deal with this important matter.

Mr. MacMILLAN: How much was this same estimate last year when the committee were dealing with it? What did it amount to according to the estimates?

Mr. FAIRWEATHER: What item are you referring to, that corresponding to the \$42,000,000? As budgeted, \$31,367,882.66. The actual requirements were \$52,255,676.04.

Mr. MacMILLAN: That is the point. I recall the circumstances and I am wondering whether this estimate here is going to be as much over-run as the one last year?

The CHAIRMAN: It over-ran last year by about \$10,000,000.

Mr. MacMILLAN: \$20,000,000: 40 per cent.

Sir HENRY THORNTON: May I answer that? The basis, of course, is an estimate of what the gross revenue of the company will be for the year. That is what one has to start with. The figure that has been placed in this sheet of \$157,000,000 approximately is the closest estimate that we can make. When I say "we" I mean the traffic officers and all of those officers of the company whose opinions have been collected and analyzed and examined. Now, nothing is more difficult in these times than to make an estimate of what the gross revenue from any business will be, but the figure that has been put down here and which is the starting point of all of the calculations represents the consensus of the best intelligence which we can muster. I do not think I can add to it excepting that in the light of last year's experience in which we were sadly disappointed in the gross revenue, and having that in mind I should say that certainly my own opinion is—and I think that would be the opinion of all of the officers of the company who know anything about it—that we will certainly be nothing like as badly off this year as last year.

Mr. HEAPS: May I ask how this item of \$157,000,000 compares with the receipts for the same item last year?

Mr. FAIRWEATHER: The gross revenue last year, \$177,243,738, and we are budgeting this year on a level of about \$20,000,000 less than that. Now, our performance to-day, up to the present date, would indicate that that \$157,000,000 of gross will actually be attained. The reason our estimate was so sadly out last year was because we had budgeted too generously on our gross revenue. We had estimated \$228,000,000. Our actual was only \$177,000,000. There was, therefore, a drop of \$43,000,000. Our budget to date, our budget for this year of \$157,000,000 is, in point of fact, following very closely to the actual performance and our net revenue indications are very close to our budget.

Mr. MacMILLAN: How is your percentage of operating revenue—at least, your operating costs of your revenue compared to last year at this time?

Mr. FAIRWEATHER: The operating ratio—this is to the end of March—in 1932 was 101.81 as compared with the 1931 figure of 99.77, but when you give consideration to these figures you must remember that our revenue for the two months of 1932 was only \$34,201,000 as compared with \$42,200,000 in the previous year. The operating ratio—as the traffic falls off, operating ratio must go up. We cannot escape that. Good management consists in trying to keep the rise in the operating ratio with falling traffic as slight as possible. As a matter of fact, our decrease in revenue over the same period last year amounted to almost exactly \$8,000,000 and our decrease in expenses amounted for the two months to \$7,282,000.

Mr. MacMILLAN: It shows a slight increase.

Mr. FAIRWEATHER: Very slight, yes.

Sir HENRY THORNTON: In estimating, of course, the gross revenues for any large transcontinental railway in Canada we have always got to give a good deal of consideration to what the wheat crop is going to be. There is nothing more treacherous and difficult to estimate upon than a wheat crop. It may start off looking extraordinarily well, and drought, rust, soil drifting, early frost and all sorts of things later in the season may creep into that and completely upset your estimate. Again, you may estimate upon a low wheat crop because conditions look bad and exactly the opposite may happen. As far as this year is concerned—for what it is worth, but only for what it is worth—it looks as if the wheat crop in the west ought to be very good. It has been estimated by competent observers to be as high as 500,000,000 bushels. Now, whether that is exactly the figure or whether it is going to be something less or not, I do not suppose anybody at this time can tell, but certainly indications thus far point to a very materially improved wheat crop.

The CHAIRMAN: How are your operating revenues to the 31st of March and your operating expenses to the same date?

Mr. FAIRWEATHER: The operating revenues for 1932, for the first three months, were: gross revenues, \$34,201,350; operating expenses, \$34,820,296; net revenue from railway operations, a deficit of \$618,946, or an operating ratio of 101.81.

Hon. Mr. MANION: You are using that word deficit to mean operating deficit?

Mr. FAIRWEATHER: I think I said that.

Mr. KENNEDY: Was it the partial crop failure that accounted for the spread last year?

Sir HENRY THORNTON: Well, that was a large factor, of course. If I might say, that figure that we have given represents the best intelligence that can be mustered.

The CHAIRMAN: On the basis of those three months' figures how is your estimate on operating revenue of about eighteen millions going to work out?

Mr. FAIRWEATHER: We are running on schedule absolutely. We anticipate in the early months of the year that we have to face a deficit. The lean months of the year are the first three months. After that things normally improve.

The CHAIRMAN: While the crop is being moved?

Mr. FAIRWEATHER: Our best month is October and then November and December will slide off. We are absolutely on schedule so far.

Mr. HEAPS: In the \$189,000,000, that is, operating expenditure, how does that compare with the same item of last year?

Mr. FAIRWEATHER: Last year it was \$169,000,000.

The CHAIRMAN: Other income debits or credits, net? What does that \$5,079,000 represent?

Mr. FAIRWEATHER: It is everything except interest. It includes the operation of hotels, taxes and rents.

The CHAIRMAN: I see. It includes current expenditure that has to be charged to operation other than the operation of the railway which does not fall properly under railway operation?

Mr. FAIRWEATHER: Yes.

The CHAIRMAN: Is there anything here to show what that is made up of?

Mr. FAIRWEATHER: The annual report will show the nature of it. If you will turn to the Annual Report, Income Account, page 12—that item would be made up of Railway Tax Accruals, Uncollectible Railway Revenues, Revenues from Hotel Operations, Expenses of Hotel Operations, Taxes on Hotel Property, Rent from Locomotives, Rent from Passenger Train Cars, and all that, except interest charges.

The CHAIRMAN: Except interest to the Government or the funded debt?

Mr. FAIRWEATHER: Interest charges to the Government, and, of course, the Government interest is not in it either.

The CHAIRMAN: In this item, how much is anticipated will be the loss on the hotels this year?

Mr. FAIRWEATHER: I don't seem to be able to put my hand on that detail. We have not got the detail here.

The CHAIRMAN: Last year the hotel net operating deficit was \$198,000, is that right?

Mr. FAIRWEATHER: We are budgeted for a deficit of \$30,212.00 for hotels as compared with a deficit of \$198,000, actual.

The CHAIRMAN: Does that budget take into account anything for depreciation on furniture and trade fixtures?

Sir HENRY THORNTON: No, it does not.

The CHAIRMAN: Is that included in the operation?

Sir HENRY THORNTON: That is simply the difference between the revenue and the expense.

The CHAIRMAN: Well, then, do you take care of replacements?

Sir HENRY THORNTON: We take care of replacements as they occur, but there is no specific charge annually to that account.

The CHAIRMAN: Interest on funded debt due the public—Exhibit "B"—an increase here?

Sir HENRY THORNTON: There isn't any increase.

The CHAIRMAN: What was it last year?

Mr. FAIRWEATHER: It will be shown in the annual report.

The CHAIRMAN: At page 12, \$55,214,977.47. That was the interest on the long term debt last year, and this year it is \$56,849,245.65, a difference of?

Mr. FAIRWEATHER: A difference of \$1,634,267.00.

The CHAIRMAN: Additional interest charges to the public are \$1,634,000?

Mr. FAIRWEATHER: Yes.

The CHAIRMAN: How much of that was new expenditure and how much of that was capitalization of deficits last year?

The Committee might as well face the situation, that in any given year when the system does not earn enough to pay, (a) operating expenses, (b) interest to the public, (c) refunding,—the whole thing is capitalized and borrowed; that is a fair statement, is it, Sir Henry?

Sir HENRY THORNTON: Oh, yes, it cannot be otherwise.

The CHAIRMAN: That the Government has not changed the policy of the late Government in handling the situation, so that we are simply pyramiding the debt of the National Railways to the public, that is what it is. I just wonder how long this sort of thing will continue.

Mr. DUFF: Nobody knows.

Mr. FRASER: Capitalizing deficits.

The CHAIRMAN: Capitalizing deficits, because that is what it means, but the more you do it the higher the pyramid gets. Is there any constructive suggestion that can be made in this Committee to deal with a situation so serious as that.

Sir EUGENE Fiset: The first suggestion was made last year, that the fiscal year of the Canadian National Railways should be changed, that instead of examining those accounts as we are doing at the present time, we should examine the accounts to be spent in the future, and that can only be done by changing the fiscal year.

Hon. Mr. MANION: Might I state also that the Royal Commission is still sitting and they may offer some suggestion as to some other method, a more constructive method.

The CHAIRMAN: Of course, there is one method, and that is for the Government to pay it in cash, and the country cannot stand it. But there is a second method, and that is the one I am going to suggest for the consideration of this Committee, and if you will bear with me for a few minutes I am going to make a statement. The Dominion Government to-day is on a distressed budget; every province in Canada to-day is on a distressed budget; England is on a distressed budget; the United States of America, the wealthiest country on earth, is on a distressed budget. I suggest the same principle be applied to the National Railways and that only the bare absolute necessities be granted to the railway management during this period of depression. Now, that may not be possible, I don't know enough about it.

Sir HENRY THORNTON: Might I say in that connection, Mr. Chairman, that the budget for the year was first made up by the officers of the company and then fully considered and discussed with the Board of Directors having regard for exactly what you have said; and then was discussed with the Government, more particularly, naturally, with the Minister of Railways, and finally, after full consultation on the part of everyone, the final budget as you find it here, was adopted, and I think certainly every effort was made on the part of all concerned to meet the very points that you have raised. Nothing has been adopted in connection with to-day's budget that has not had the full consideration of the Board, and the Government itself as the proprietor.

The CHAIRMAN: Well, it does seem to me that it is up to this Committee to make some suggestion or to admit that we haven't any ideas on the subject at all. Now, this is something that I have thought over.

Mr. DUFF: Should not we wait until the Royal Commission reports?

The CHAIRMAN: Well, of course, that is a nice easy way of sliding over responsibility and passing the buck, although I have no doubt they are much more qualified than we are.

Mr. DUFF: That is what I mean, Mr. Chairman. They have more time to go into the different aspects of it, and they are supposed to do it thoroughly.

The CHAIRMAN: But I would like to throw out this thought to the Committee and to the public, that this railway company be put on a distressed budget until this period of depression is over. It may not be possible to do very much more than what has been done, but there is a suggestion for you anyway.

Mr. MACMILLAN: Does not this budget, Mr. Chairman, represent what you might call a distressed budget?

Sir HENRY THORNTON: We regard it so, because I have been in almost weekly conference from time to time with the Minister representing the proprietor with respect to the financial position. It has been given most anxious consideration by our own Board of Directors, and, as I explained a moment ago, the budget as presented to you here to-day represents the mobilization of all the thought which the responsible officers of the company, the Board of Directors, and the Minister himself can bring to bear.

I might also say to you—which you probably already know—that all of this has been exposed to the Royal Commission. They have asked for the most searching details with respect to possible economies, the financial position and everything else relating to the transportation industry in Canada. They have at their disposal now full and complete information on the whole subject, and, as the Minister has pointed out, they are dealing with it, and I understand, from what I have heard, they are giving it the most anxious consideration, and I suppose that before very long they will probably have some suggestion to make; but I think the Minister will agree with me that this budget, as we have presented it here, represents—I can only put it in this way—the combined intelligence of all who have any concern in the matter.

Hon. Mr. EULER: There are a number of possible remedies, of course. The one that you suggest might result in a satisfactory service, and again a service that would not at all be satisfactory. It may be that we should have a heavier taxation of the Canadian people and pay the deficits out of taxes, but to my mind what we have got to face—and I imagine the Royal Commission perhaps will have something to say about that—is the heavy losses of the railways, both railways if you like, due to the fact that they are obliged to spend more money than would be necessary if there was no competition. Now there, we are coming back again to the suggestion made before in the House, that there must be something done by way of joint management. I am not prepared to support the suggestion that was made in the House the other day that there should be a temporary commission.

The CHAIRMAN: Who made that suggestion?

Hon. Mr. EULER: I think it was Mr. Hackett. He may be right in principle. I certainly think that he is. They say competition is the life of trade, but as far as the railways are concerned it is the death of the railways. Co-operation is the better. What we have to get rid of, in the final analysis, is waste that we have because of competition and, of course, you come down to the question: How are you going to cut that out? Some people think that the railways can be run as separate entities by one Board, if you like, and thus

cut out the waste. Personally, I don't think that is possible. Possibly some good can be served by discussing amalgamation of the roads. There are those people who are opposed to monopoly of any kind. Perhaps these things should be said in the House, but you have invited this discussion. Personally I am opposed to private railway monopoly. I have certain objections perhaps to the other, but I have never been able to see where a publicly owned monopoly can have all the sinister features that we have under private monopoly, because in the one case private ownership is the making of profit whereas public ownership is the maintaining of service at the lowest possible cost; but because of competition, the maintaining of duplicate service—and you could enumerate them almost by the score—that is what is causing the trouble, that is the waste, and that waste probably runs all the way from sixty to seventy-five million dollars a year. If that could be got rid of then you might see some hope for the railways even now, and with the return of better times, why conditions might be fairly satisfactory. I think that is what the country has to face ultimately.

Hon. Mr. MANION: I do not wish to say very much, Mr. Chairman, although I do not think it is passing the buck to wait a bit for the Royal Commission to make their report. They have been sitting on this question now since December and we are hoping they will make a report in plenty of time at least for the next session.

Mr. GRAY: You do not think there is any hope of a report this year?

Hon. Mr. MANION: No. In any event—although I am in no way directing the Commission—I do not think it would be for the good of the railways or the country to get the report hurried through and presented to the House say in the last few days of the session. My feeling is that whatever report they make—and I have no more idea of what their report will be than any member of the Committee—I hope it will be so important that it is worth while—so that the people of this country, of all classes, whether they believe in private ownership or public ownership, or a combination of both, should have plenty of time to mull over the report and think about it and discuss it. But may I say in regard to the budget, the attitude the Government has taken is this: Naturally, as Minister, I cannot be very familiar with the technical drawing up of a railway budget; and while I agree with what Sir Henry Thornton has said entirely, so far as his suggestion that it was the best thought of all concerned, my thought on the subject is really a very general thought, that under present financial conditions it is very important that the railway be as economically operated as possible without interfering with its efficiency. And I think that is the attitude that every railway on this continent is forced to take to-day for the very same reason: Therefore, that is the attitude that we have asked the management to adopt.

I do not know what the Chairman means by a distressed budget, but we have asked them to be as economical as possible in every way; and I don't mind saying quite frankly there are economies yet that can be made. The directors and the management have certainly brought in a budget that is a very big decrease on the one brought in last year. Last year the combined total of it, including the Merchant Marine and so on, and including capital charges of one kind and another amounted to \$112,000,000. The corresponding figures this year amount to about \$71,000,000, a difference of \$41,000,000. Quite a decrease it is true. And when you realize that even at \$71,000,000, it means the raising by the Government in some way, whether by guaranteed bonds or by taxes on the people, of over \$5,000,000 per month, over a million dollars a week, in fact nearly one and a half millions a week, it shows the seriousness of the situation. I do not think I can add anything to that; but the Government's attitude has been to ask the management to give us the strictest economy without interfering with the efficiency of the road. That in brief, is what we have asked, and I

think that is the attitude the Canadian Pacific is taking under much the same circumstances, and all the railways in the United States are taking the same attitude, under similar circumstances. I do not know that there are any questions I can answer.

Mr. FRASER: How much has the budget been cut down this year over last year? They have the operating budget here. How does it compare with last year's estimates?

Mr. FAIRWEATHER: Our actual operating expenses last year were \$169,688,-008.47, for a gross revenue of \$117,273,738.

Mr. HEAPS: What does it include, Mr. Fairweather?

Mr. FAIRWEATHER: Railway operating revenues and expenses.

Mr. HEAPS: Railways only?

Mr. FAIRWEATHER: Yes, railways.

Mr. MACMILLAN: Eastern Lines?

Mr. FAIRWEATHER: No, that excludes Eastern Lines. The Eastern Lines are different altogether. This year we budgeted for operating expenses of \$139,-304,000 for gross revenues of \$157,248,000.

Mr. MACMILLAN: Exclusive of Eastern Lines?

Mr. FAIRWEATHER: Exclusive of Eastern Lines. Last year our actual revenue from railway operations of \$177,000,000 gross was \$7,585,729. This year we budgeted our net revenue from railway operations of \$17,944,000 with \$20,-000,000 less revenue.

Mr. MCGIBBON: May I ask the Minister how much deferred charge there would be in the \$71,000,000—

Hon. Mr. MANION: How much deferred charges?

Mr. MCGIBBON: Yes. They have not done anything this year in the way of maintenance—

Hon. Mr. MANION: I presume that is true of all railways at the present time; a great many of them are deferring a certain amount of maintenance. I presume that is true.

Mr. MCGIBBON: What amount would that be?

Hon. Mr. MANION: The management will have to answer that themselves.

Sir HENRY THORNTON: That is a pretty difficult question to answer, Mr. McGibbon. You have to estimate first what the standard of maintenance is that you are going to adopt, and adhere to, and secondly, how far you can safely and reasonably depart from that. Now, that becomes a matter of technical and professional experience.

Mr. MCGIBBON: I thought from your experience you could tell.

Sir HENRY THORNTON: I am just coming to that. You might say probably in round figures this budget represents in one way or another something like \$4,000,000 of what might be called deferred maintenance. But that is purely a matter of judgment. For instance, a branch line might possibly under heavier traffic conditions have been maintained to meet that traffic. Now, the traffic falls off, and you allow a certain amount of deferred maintenance to accumulate, but on the other hand, you have not the traffic to justify the expenditure. It would be wasting money to do so. After all, the real thing that a railway engineer has to decide is to build a thing or maintain a thing only so well as circumstances require. If he spends too much money or too little money he is making an error. You have to maintain your property in all the different parts of the property as well as circumstances require, and no more.

Mr. MCGIBBON: I quite understand that. Would you have to come back in the future and make up some of that? For instance, in discussing the National

Railways the other day, it was disclosed that \$70,000,000 of deferred charges during the war had to be made up afterwards.

Sir HENRY THORNTON: I do not remember that.

Mr. FAIRWEATHER: Yes, I made that statement. The statement is substantially correct.

Mr. MCGIBBON: Would the same thing be going on now, and you would have to come back and spend more money in future years?

Sir HENRY THORNTON: You have to remember deferred maintenance does not always charge the same rate of interest. The future does not always charge the same rate of interest. In other words, you can defer a certain amount of maintenance without incurring too serious consequences, but if you go beyond that point, then you may run into a very heavy rate of interest for the future. What the Minister has said is quite true in this sense. While he did not go into the details of this budget, or anything of that sort, but at the same time as representing the proprietor, the proprietor's instructions were that not one dollar was to be spent on capital expenditures of that sort that could possibly be deferred, and it was left——

Hon. Mr. MANION: Without interfering with the efficiency of the road.

Sir HENRY THORNTON: It was left to the judgment of the officers of the company, from their professional experience, to see how far we could go in that. In other words, it was the opinion of the proprietor that he did not want his property reduced to any irretrievable, hopeless position, and that good judgment and prudence would have to be exercised, and that is exactly what we have done with respect to this budget.

Hon. Mr. MANION: May I ask you a question in regard to that? I want you to be quite frank in your reply. Has there been any strangling or crippling in any shape or form concerning the running of the road, or anything of that sort?

Sir HENRY THORNTON: No; I say quite frankly the administration of the expenses and the maintenance of the property, reduction in train services and things of that sort were left to the judgment of the management; but it was impressed upon us quite frankly, and we are in accord with that point of view, that every conceivable penny must be saved to-day under capital and expenses. And that is what the officers and myself have tried to do, to the best of our experience and knowledge.

Mr. MCGIBBON: May I ask you another question? You say you have four millions, just for the sake of argument——

Sir HENRY THORNTON: This is my——

Mr. MCGIBBON: Just for the sake of argument, supposing you have a certain amount that may go for a good many years without costing a great deal for maintenance, at the end of two or three years will that require, say, for the sake of argument, \$4,000,000 more than it normally would to keep it up to a high standard of maintenance?

Sir HENRY THORNTON: They would not, say, two or three years ago, but again, on the other hand—and it is so difficult to explain those things consistently—on the other hand, if we could get an increase of traffic, if there should be a return to something like normal times, we would not feel this burden at all; we could easily take care of it. I should say that with a return to even almost a shadow of normal times, we will be able to make more money on this railroad than we have ever made before, because experience is a stern teacher, and we have learned a good deal. We have found different ways of doing things, better ways of doing things. Every man is supposed each year to do his job a little better than he did the year before. We are finding new ways, new sug-

gestions are being made, and with a return to—well, I should say for instance, if we ever get back to around \$300,000,000 gross earnings, my estimate would be that our net would be something like \$75,000,000. But here we are with a gross revenue of just about half this year what it was in 1928, and you cannot overtake such a heavy reduction in gross revenue as that unless parts of the line are closed up and things of that sort are done. When you stop to consider closing the lines, you must remember people have been induced to settle on those lines; they have established their homes, and it is extremely difficult, if not impractical, to withdraw transportation facilities from them altogether. If we had known some twenty years ago, say, what the situation was going to be to-day, there would have been less mileage built in Canada than now exists. However, that mileage is here; people have come and located themselves on the road, and you cannot withdraw from them transportation facilities.

Mr. POWER: Would this be the proper time, Mr. Chairman, to enquire what steps have been taken by the road to eliminate competition?

The CHAIRMAN: I think it would be quite germane. I certainly welcome discussions of this kind because I think, irrespective of the fact that the Royal Commission is sitting on the whole question of transportation, that the House of Commons and the people of Canada will expect this committee not to pass the buck, but to face as far as we are able the difficult situation that is in front of us. I threw my suggestion out as a basis for the discussion. I would be glad to have the views of every member of this committee. Mr. Euler has been good enough to give us his. Every member ought to turn his attention to this problem, not to arrive at any conclusion this afternoon, but before we present a report, let us say something about this difficult problem.

Mr. POWER: May I ask Sir Henry to explain to the committee what arrangements were entered into with the C.P.R. in connection with ocean freight service?

Sir HENRY THORNTON: Yes; I shall be glad to explain that.

Mr. POWER: What the advantage was, if any, to the Canadian National Railways?

Sir HENRY THORNTON: The Canadian Pacific Railway, as you know, operates a large and important fleet of vessels on the Atlantic, to which in recent years they have made very considerable additions, and which represents to-day probably fully as effective ocean transportation facilities as there are on the Atlantic. The Canadian National Railways had no such modern equipment, nothing at all which compared with the ocean services of the Canadian Pacific. We had certain arrangements with various other steamship companies, which in the stress of depression, seemed to us expensive, and our feeling was that if we had a Canadian company such as the Canadian Pacific, well equipped with a number of vessels, that in the interest of the Dominion itself and the two railway companies themselves, we would be very much better off, the Dominion as a whole would be better off if we could come to some arrangement with the Canadian Pacific to recognize their ocean services, as in general the ocean allies, the ocean services of the Canadian National. So, rather protracted negotiations and discussions took place between responsible officers of the companies, and subsequently between Mr. Beatty and myself, and eventually we arrived at a contract which was executed between the two companies, whereby we, in effect, to take a short cut to it, regard the Canadian Pacific as the ocean arms, so to speak, of the Canadian National Railway.

Now, that has worked out quite satisfactorily as far as the Canadian National Railways are concerned, I should think fully as satisfactory as any previous arrangement which we might have had with any other company, and I am not violating any confidence when I say that in talking to Mr. Beatty a

few days ago, he expressed the point of view that it was equally satisfactory to the Canadian Pacific. It had the effect of softening the wind of depression to the Canadian Pacific as much as it had to the Canadian National. You see the difficulty that we had previously was to get continuity of sailings from Maritime ports during the winter time. It is no good putting on a lot of vessels in the summer time, taking care of all competitive traffic that is offered, and then have that service diminished or largely disappear in the winter time, and your shippers drift off to other lines of transportation, and then the following summer try to get them back again. What we were striving for was, with other steamship lines apart from the Canadian Pacific, the assurance of a continuity of service which would enable us to go out and solicit business continuously, winter and summer. We never got very satisfactory results, but the Canadian Pacific were able to offer us continuity of service, and for that reason we executed our contract with them, and I say without any hesitation at all, that I think it has been an excellent thing for the Canadian Pacific, for the Canadian National, and for Canada itself.

Mr. DUFF: Was the contract made on reasonable rates?

Sir HENRY THORNTON: Entirely, a very fair and reasonable contract; otherwise it would never have been entered into on either side.

The CHAIRMAN: Does it take care only of the export freight, or has it anything to do with import freight?

Sir HENRY THORNTON: Well, it takes care of both movements, of course.

Mr. DUFF: Both freight and passengers.

Sir HENRY THORNTON: Yes.

Mr. MCGIBBON: I presume you have to pay the C.P.R. for calling at Halifax?

Sir HENRY THORNTON: No.

The CHAIRMAN: That is one point I should like to mention. They have to pay the Cunard line \$200,000 a year to call at Halifax.

Sir HENRY THORNTON: No; we pay the C.P.R. no such amount at all.

Mr. POWER: You had to pay the Cunard line \$200,000.

Sir HENRY THORNTON: That was right.

Hon. Mr. MANION: May I just make a remark in regard to the point the Chairman makes and which I think Sir Henry left out, and which was to his credit. He came to me on one occasion and mentioned that they were paying \$200,000 for that service—I think there was another line besides the Cunard—

Sir HENRY THORNTON: The White Star.

Hon. Mr. MANION: The company figured that they were just losing that \$200,000; in other words, it was a dead loss. He asked me my opinion, and it was further discussed, he and I talked it over, and decided that the railways should discontinue the subsidy, which they did, and they entered into the contract with the C.P.R.

Mr. POWER: They entered into the contract with the C.P.R. What do they pay the C.P.R.?

Sir HENRY THORNTON: We do not pay the C.P.R. anything.

Mr. POWER: What about the import freight?

Sir HENRY THORNTON: We do not pay anybody anything.

The CHAIRMAN: Do the Cunard line and the White Star line still continue to call at Halifax?

Sir HENRY THORNTON: I think they do.

The CHAIRMAN: Are you supplying them any freight?

Sir HENRY THORNTON: I think they take some of our freight, naturally.

Mr. POWER: In operating the arrangement with the Cunard and the White Star lines, did you get import freight from those two lines?

Sir HENRY THORNTON: Up to a point, yes. Of course, the route which the import freight followed, depended a good deal upon the solicitation in the country of origin.

Mr. DUFF: Did you not get all the freight coming from the Cunard and White Star?

Sir HENRY THORNTON: No; we did not get it all. We used to get a good deal. A fair amount of freight from the C.P.R. boats as well, simply because ocean freighters cannot control entirely the rail route on this side.

Mr. DUFF: How did the C.P.R. handle freight to Halifax previously to the arrangement they made with you last year? I thought you handled all the freight up to last year when you made your arrangement with the C.P.R.

Sir HENRY THORNTON: From Halifax?

Mr. DUFF: Yes.

Sir HENRY THORNTON: We did, I suppose.

The CHAIRMAN: There was a certain amount routed, perhaps, via Saint John.

Sir HENRY THORNTON: Yes.

The CHAIRMAN: The C.P.R. of course, would be routed west via Saint John.

Mr. DUFF: All that landed at Halifax went over the C.N.R. line.

The CHAIRMAN: To a certain point.

Sir HENRY THORNTON: It might and might not. If you go by the D.A.R.

Mr. DUFF: Not much on the D.A.R. to Digby.

Mr. FAIRWEATHER: No, not very much.

Sir HENRY THORNTON: Of course, any freight could be routed as far as Montreal and then turned over to the C.P.R. There is no question of that.

The CHAIRMAN: Or any of the gateways.

Sir HENRY THORNTON: Yes.

The CHAIRMAN: I think that is what actually happened.

Mr. DUFF: What arrangement have you now with the C.P.R. about handling their freight from Halifax? Do they send their own train through?

Sir HENRY THORNTON: No, only for passengers.

The CHAIRMAN: It is their rolling stock and you man the train?

Sir HENRY THORNTON: Yes. They have running right into Halifax. They provide rolling stock and we handle the trains for them.

The CHAIRMAN: They use your locomotives?

Sir HENRY THORNTON: Yes. We use our locomotives.

Mr. DUFF: There is no C.P.R. freight lands at Halifax?

Sir HENRY THORNTON: No. I do not think so.

The CHAIRMAN: Are they using you fairly well under the new arrangement?

Sir HENRY THORNTON: Yes, entirely. It may seem almost like asking you to believe it or not, but both roads—the officers of both systems are perfectly satisfied with the present arrangements. I say believe it or not.

Mr. McGIBBON: Following that idea up, would it not be possible to extend that system to make some joint agreement, for instance, with regard to your passenger trains. I came up with the train yesterday from Toronto. I do not think there were half a dozen people in the car I was in. There seemed to be a terrible loss there. Two or three hours afterwards the C.P.R. starts a train and comes up too. It seems to me the railroad should get together to eliminate some of these passenger trains. Could they not arrange it some way that the C.P.R. could run one day and the Canadian National the other day, or something like that?

Sir HENRY THORNTON: Of course, there is a great deal of intelligence in that thought. You only get the maximum of economy—

Mr. McGIBBON: I am afraid that statement applies to something else.

Sir HENRY THORNTON: All square at the turn, doctor.

Mr. McGIBBON: You must be wrong.

Sir HENRY THORNTON: What I was going to say was this. You never get the maximum of economy in the elimination of competition from passenger services until you pool revenues; and I have been anxious—when I say I, I mean the Canadian National—we have been anxious to pool revenues between certain points such as Toronto and Montreal and other important points, Ottawa to Montreal, for example. But that is not quite as simple as it looks, because while these railways run generally from Toronto to Montreal they do serve certain sections which one serves and the other does not, and there may be towns on one railroad which are not open to the other. That whole question, of course, is one which I can say to you from my own knowledge is very much under the consideration of the Royal Commission. We have talked with the C.P.R. considerably as to what we can do, and, again, without wishing to pass any bucks we have rather thought it better to wait and see what the Commission was going to propose because we confidently expect something of a constructive character in a thing so very long standing, before we make any commitments which would possibly have been no sooner made than completely altered. But there is no doubt at all. If you take the passenger business on the North American continent, I do not care where it is, a maximum of economy ensues from pooling your passenger revenues. Then you can adjust your train service to meet the requirements of the public and carry the public at minimum cost. Now, in England that has been done very extensively. I suppose there are hardly two important points with respect to which there is competition and with respect to which there is not pooling of revenue: Take between London and Edinburgh, London and Glasgow, London and Liverpool; practically all of that service—those important passenger services are pooled and it has worked out extremely well and has been a great source of economy to railways with no inconvenience to the public. In the United States, unless the laws have been changed very recently, the Interstate Commerce Act has prevented pooling of revenues on the doctrine that it was a combination in restraint of trade, which it is not at all; but the Americans are coming to that point of view now, and there is a very decided movement in the States to relieve the railways of that difficulty. Fortunately, we have no such law in Canada. We can, if I am correctly informed, pool wherever it is found wise, and there is no doubt about it that that is the thing to do and that is what we have got to do, and the sooner we come to it the better.

Mr. McGIBBON: That is what I have thought for some time. I realize that there is a public opinion here that is against amalgamation of these roads, either under public ownership or private ownership. I do not believe we will ever get away from that. There is a lot to be said on each side. If we get private ownership one man says it dominates the Government; if we have public ownership, it has the same effect, but it does seem that in times of depression

like these when we have only so much business we have got to do it in the most economical manner possible to get the greatest profit. If that could be done and the revenues properly proportioned, it seems to me to be better for each road to get out of this slough of despond and depression. I will not say how it should be done.

Sir HENRY THORNTON: I respond heartily to everything you have said; it is entirely true.

Hon. Mr. CHAPLIN: Why should there not be some effort at economy in the matter of expense in regard to offices and matters of that kind? Why should these two railway companies have an office down on Sparks street to sell tickets when they have the station within two or three blocks away? Why should you have the same thing in the city of Toronto and in almost every other city in Canada when there are only the two of you? It seems to me that there is lots of room for economy in that direction.

Sir HENRY THORNTON: Now, that too has a great deal in it; but, of course, competition is competition. If one railway maintains an uptown ticket office conveniently located to get the business the other railroad has got to do the same thing or lose the business. If it is necessary as a public convenience to have an uptown ticket office I should say there ought to be a joint uptown ticket office. In certain cities in the United States, New York, for instance, I know a number of the railways are entering New York at one time, and I think they still have a point ticket office. What Mr. Chaplin says is quite right, and we would be very glad to get rid of this, and I think we will before very long.

Hon. Mr. EULER: Something similar to union stations in the various cities.

The CHAIRMAN: In the city of New York, in the Grand Central station, do they not at the one place sell tickets for every system that is using the Grand Central terminals?

Sir HENRY THORNTON: Oh, yes. Am I right in that, Mr. Burnap?

Mr. BURNAP: Yes.

The CHAIRMAN: And that is where the porters of the hotels go to get their tickets. I think there is a great deal to what Mr. Chaplin said. Here is the Canadian National with its union station down the street. They maintain a ticket office there and they have another one in the Chateau Laurier and another one on Sparks street, and the C.P.R. have a ticket office in the union station and they have one on Sparks street also. There seem to be numberless opportunities for economies in relation to matters of that kind.

Sir HENRY THORNTON: That is exactly where the economy comes in there in the form of co-operation, running from simple co-operation up to an amalgamation.

Mr. MACMILLAN: That is being studied by the Royal Commission.

Sir HENRY THORNTON: I understand that is being gone into very carefully and I understand it is gone into carefully because we have been producing statistics.

The CHAIRMAN: They have been asking for them?

Sir HENRY THORNTON: Yes, they have been asking for them.

Mr. FRASER: What about the joint operation from Kamloops to Vancouver of the two lines?

Sir HENRY THORNTON: That is a matter I cannot answer you about. That, I think, has been one of the things that have gone to the Commission to be considered.

Mr. POWER: Sir Henry, how far have you got in the way of elimination of competition of passenger services in Ottawa? What has been done?

Sir HENRY THORNTON: Well, not anything further than the reduction of something like 4,000,000 miles which was given this morning.

Mr. POWER: Now, what has the C.P.R. done?

Sir HENRY THORNTON: I do not know how many——

Hon. Mr. MANION: I think they claimed about the same reduction, perhaps, in proportion to the mileage of the railway.

Sir HENRY THORNTON: Mr. Burnap, do you know how many passenger miles the C.P.R. took off?

Mr. BURNAP: No, I do not know.

Mr. POWER: Was not that arranged by conference?

Sir HENRY THORNTON: There was a certain amount of conference between the two companies.

Mr. POWER: I am taking the instance of Quebec to Montreal. There has been a feeling in the city of Quebec that in this elimination of competition the C.N.R. allowed the C.P.R. to take advantage of them. Now, I am wondering whether that was after a conference with the officers of the Canadian National, or if you each——

Sir HENRY THORNTON: I have heard that. On the other hand, the Canadian Pacific have wanted us to take off our six-hour trains between Montreal and Toronto, claiming we are getting the best of it there. Perhaps we are. Well, you cannot get the best of it everywhere. You certainly ought not to get the best of it everywhere.

Mr. POWER: Do you say "We will agree to eliminate one service if you will agree to eliminate another." Or is there anything like a dicker or agreement made between the roads?

Sir HENRY THORNTON: I did not handle personally those negotiations so I do not know. That matter was handled by the passenger department. I did not myself handle those negotiations.

Mr. POWER: But surely you must know. Sir Henry, if there was a quid pro quo, or anything of that kind?

Sir HENRY THORNTON: Can you answer that question Mr. Burnap?

Mr. BURNAP: We did suggest the possibility of some reductions being made in the passenger service between Montreal and Toronto and between Montreal and Quebec and between Montreal and Ottawa. As the result of those negotiations each road took off one train between Montreal and Ottawa. Also the result of those negotiations the C.P.R. lengthened out the running time of two trains, one from Montreal to Toronto and the other from Toronto to Montreal so that we might discontinue a train between Montreal and Belleville in either direction.

Sir HENRY THORNTON: Both directions?

Mr. BURNAP: Both directions. I might say further, perhaps, apropos of this discussion though not in direct answer to the question, that as regards these excursions which are now being operated there is a free inter-change of views between the two roads as to the rates which will apply and as to the cities between which excursions will be run and the dates so that there will be no conflict and no competition between the two roads at about the same time between the same points. It is all done in a spirit of co-operation.

Hon. Mr. MANION: In regard to these excursions I notice that some of your rates are perhaps 25 per cent of what they are for ordinary tickets? Do you make money on those excursions when you keep the rates as low as that?

Mr. BURNAP: Handling humanity by the carload, yes; our earnings per train mile are very satisfactory.

Sir HENRY THORNTON: The secret of making money in the passenger business is filling the train.

Hon. Mr. MANION: You have cut it down to 25 per cent in some cases and that made me wonder.

Hon. Mr. EULER: May I ask a question? Perhaps this will prove difficult for Sir Henry to answer, but I think it is practicable. For a good many years through this committee and otherwise it has been suggested that we should get together as much as possible to eliminate service. I should like to ask Sir Henry how much he thinks has been saved to the Canadian National Railways by what has already been done and also how much he thinks could be saved if there were one central management, by way of merger if you like and making it as complete as possible. I know I am asking something difficult, but estimates have been made with some authority. Would it be \$50,000,000 or \$60,000,000? Supposing there were one management of the two roads; they were being run as one?

Sir HENRY THORNTON: I might attempt to answer the easier question first, but in answering this question I want it to be distinctly understood that I am simply giving you an economic point of view, an academic point of view, and I hope no one will use this in any other way than a simple statement.

Hon. Mr. EULER: As a business proposition.

Sir HENRY THORNTON: As a business proposition. Leaving out any question of strategy or relief from monopoly or anything else, simply taking the bare figures. I will go back a little. Several years ago, I think it was long before I came to Canada, I am told that Lord Shaughnessy estimated that if what is to-day the Canadian National and the Canadian Pacific were operated as one entity there would be a saving of something like \$50,000,000 a year. I do not suppose for a moment that he expected that that would fructify in the first year or all in the second year, or all in the third, but it would commence in the first year and increase year by year. I find it a very difficult question to answer, but I should say that probably Lord Shaughnessy's estimate was not far wrong. The fruits of amalgamation are more or less elusive in some ways. For example, the Railway Consolidation Act which was passed in England in 1919, I think it was, and which amalgamated some 125 or 150 companies into four companies anticipated—as a result of that Act it was anticipated there would be larger savings, but when they came down to actually realize those savings they found it much more difficult than was imagined at first. For instance, we have always considered that a certain number of officers would become redundant—men who have reached the age where they cannot find employment elsewhere and still have a certain prospective earning life before them—well, these men, whether they be officers or trainmen or employees cannot overnight be thrown onto the street.

Hon. Mr. EULER: That will correct itself in time.

Sir HENRY THORNTON: Yes, in time attrition plays its part and you gradually work the redundant officers out. But when you ask me the straight question how much can be saved, from an academic point of view by combining these properties under one management, I should say that \$50,000,000 was probably pretty close to it. That is to the best of my judgment. Now half a dozen people can take this thing and give you half a dozen different figures without knowing what Lord Shaughnessy's figures were. I mentioned \$50,000,000 to the person I was talking to who happened to be a C.P.R. officer, and he said, "That is exactly what Lord Shaughnessy said seven or eight years ago." Well, I suppose we regard Lord Shaughnessy as a capable railroad man, and I rather flatter myself that in a run-and-jump estimate I have hit pretty close to his figure. But anyway, whether it is \$50,000,000 or \$40,000,000 or \$60,000,000 you can say that a very considerable sum of money can be saved by so doing, by straight

amalgamation. Whether it is wise or not, whether it is in the interest of the country or not, I express no opinion whatsoever; I am simply answering your economic question, and it may be that I have not answered it very conclusively, but it is the best I can do.

Hon. Mr. EULER: I just wanted you to make an approximate estimate.

Sir HENRY THORNTON: Mr. Euler, I just wanted to check up that figure I gave you, and I would be prepared to stand by that as a fair figure. Now, you might get more than that out of it.

Hon. Mr. EULER: I heard the estimate made considerably higher by those who know.

Sir HENRY THORNTON: In giving you a figure of that kind I would necessarily have to give you a conservative figure and a figure which I felt could be realized, not a figure that I thought perhaps might be realized.

Hon. Mr. EULER: Now, I would like to ask this further question, although you have not answered the other question, as to what has actually been saved. A suggestion has been made that the two roads could be operated by one Commission but that the two roads should remain absolute separate entities. My own opinion is that that would not be particularly practicable, but I would like to have your opinion as to whether any substantial saving could be made, with an amount given if you can, by a method of that kind.

Mr. CANTLEY: Before the answer is given, I protest against wasting the time of the Committee with hypothetical questions of this kind that have no bearing at all on the whole question, that are impossible of realization.

Hon. Mr. EULER: You can protest all you like. If the Chairman says it is not in order, very well. I think it is absolutely in order, of course. He introduced the question of a Commission that might be able to save the railways.

The CHAIRMAN: I certainly think the question is relevant.

Sir HENRY THORNTON: Well, Mr. Chairman, I would like to be excused from answering for this reason, and I think you will all see the point—I know perfectly well that the Royal Commission is considering important aspects of this whole transportation problem. I have already—and Mr. Beatty also—been asked to give certain views, and I would like to be excused, not because I want to be anything else but frank with this Committee from answering a question of this sort which some day before long may be put to me by the Commission itself.

Hon. Mr. EULER: Could you give an answer to the other question.

The CHAIRMAN: Let us say this, that that position is sub judice.

Hon. Mr. EULER: Could Sir Henry give a reply to the other question as to how much has been saved to the Canadian National Railways by reason of cooperation between the two roads?

Sir HENRY THORNTON: I don't think I could answer that off hand, Mr. Euler.

Mr. FAIRWEATHER: I might say, Mr. Euler, with regard to that, as a matter of my own information I attempted to review railway history in Canada to see what results could be ascribed to co-operation between the railways in so far as it had developed, and I found that the trail led away back into the eighties; that there has always been a degree of co-operation, sometimes forced by economic conditions, sometimes perfectly voluntary, and it is impossible at this time to say what the economies resulting from sane commonsense co-operation have amounted to, but they have amounted to a lot. Just take, for instance, the situation in Montreal Terminals. There we have between the Canadian Pacific and the Canadian National, an arrangement for joint switching to all

industrial leads. Instead of each railway sending a switching engine to serve the industry on certain joint spurrs one railway does the work and bills the other. That saves a very considerable amount of money. I can multiply instances like that almost by the hundred. There has been, as a matter of good business, a very large degree of co-operation already. I would say that when you get outside the field of that competition which shows to the public, the railways have made a very earnest effort to organize their business co-operatively.

Hon. Mr. EULER: I understand that. I am not finding any fault with that, but that does not get very near to what I was trying to find out. I was thinking of the period, perhaps the last five or six years, since this Committee has definitely made the recommendations that co-operation might take place. Is it more than a fraction of the \$50,000,000 that was spoken of by Sir Henry?

Mr. FAIRWEATHER: I think it is more than a fraction, Mr. Euler. It is an awfully hard thing to answer that question precisely in figures, but I would unhesitatingly say that it is substantial in amount.

Hon. Mr. MANION: I wonder if I could say a word or two about a couple of these matters that have been discussed in regard to co-operation. I don't mind saying frankly that, in my opinion, as Minister—and I have looked it over pretty thoroughly—there has not been the co-operation to the extent that there should have been. I don't blame anybody for that; I am not blaming the Canadian National or the C.P.R. for the lack of understanding of some kind. The case that Mr. Chaplin mentioned regarding ticket offices comes to everyone's mind. There must be a possibility of great saving by some sort of co-operation or elimination in that regard. I just wanted to say that, but again that is a matter which, as Sir Henry Thornton has pointed out, is being considered seriously by the Royal Commission, and I certainly hope that some remedy will be offered by the Commission, and that if the railways don't get together there will be some method evolved whereby these things will be eliminated in spite of them—both railways I said.

In regard to the cutting off of services on branch lines—and I mention this because I think it is well to have the record complete—I just wish to say that the Government in no way has been consulted in regard to the elimination of services on branch lines. As a matter of fact, three different branches in my own constituency have had their services cut and I did not even know it until I got the protests. I think it is probably due to the feeling in each constituency, or each section, that there is a decrease in the prestige of the section. I had an instance placed before me the other day by one of the members of the House, and it was not a Canadian National case at all; it was a C.P.R. case, and he was asking my advice as to what he would do. The C.P.R. had a branch line service in his constituency; they had it under a charter which they had taken over some years ago. Under the charter they were forced to give a daily service in each direction, and yet they produced to him a statement showing that they made from \$3 to \$10 per train, and still the people were protesting vehemently against any cut in that service. I suggested to him that he should have the C.P.R. officers go down and argue it out with the people. I said, surely those people cannot ask the C.P.R. to carry on a service like that. The same thing has occurred with the Canadian National, and, in my opinion—and I have got reports on all these—the Canadian National and the C.P.R. both act in the same way. They have looked over their branch line service and they have found, largely due to motor competition in most cases, that they were losing money, and they cut down the service to something like a service which would not lose too heavily.

I just wanted to make that clear for the sake of the record, that in no way have we been consulted in any manner, shape or form. The management carried out the whole proposals on their own, and I have in no way interfered

with them. When I get protests, as I do, in regard to the elimination or cutting down of service, I simply pass them on to Sir Henry Thornton, and the officers do as they wish with them.

Mr. BEAUBIEN: When you say that, the opinion that exists in Western Canada, as in other parts of Canada, is that the Canadian National Railways have cut their train service by arrangement with the C.P.R. but that the cutting of the train miles on the Canadian National has been much more considerable in proportion to the C.P.R., then that opinion is in error.

Hon. Mr. MANION: I do know this, that there has been a stupid tale going around—and it has even been published in the Press—that the Canadian National Railways were forced, perhaps by us—that was the implication, I imagine—on some occasions to give way to the C.P.R. I simply say that that is an absolutely false statement, because in no way, shape or form has the Government in any way interfered with the Canadian National Railways in regard to those matters. If the management have done anything of that sort then they have done it deliberately themselves, and they would hardly be so stupid.

Mr. BEAUBIEN: In other words, the reduction of the train miles by the Canadian National and the C.P.R. has been done by the officials of each railroad based on the economic conditions as they exist to-day?

Hon. Mr. MANION: Absolutely.

Mr. BEAUBIEN: I think that should go out to the public.

Hon. Mr. MANION: It is absolutely and totally correct.

Hon. Mr. CHAPLIN: In line with what the Minister has just said, I want to tell the Committee what took place in my own riding. The Canadian National Railways had twelve miles of line between St. Catharines and Niagara Falls. Ten or fifteen years ago the earnings on that line amounted to \$60,000. They fell to \$10,000. The reason for it was that the people throughout the district were moving just as much freight but they were doing it with their automobiles, and they asked what effect it would have to eliminate that line. I saw the statements. I never asked anybody, but simply said, if that is the condition close it up. If you want to close it I will take the responsibility of it with my own people. If my own people were not using the road they would have no kick at all to it being closed up; and it was closed. As a matter of fact, it is closed now. They are not worrying about it. I haven't had one solitary complaint. They had no right to complain. However, it is closed up; quite a loss as far as the road is concerned.

Mr. MCGIBBON: Sir Henry will remember, I brought up the question some time ago about self-propelled cars. Now, there is one of those going through my riding and it is giving very satisfactory service on a branch line. I made it my business to travel on it the other day, and I asked the conductor how much it was costing. Well, he said, we travel 150 miles for \$6.25 and, he said, there are only three men on the train. Now, there is a baggage car, and a place for express parcels, and one ordinary day coach. That looks to me as if that would reduce your operating costs because if you can run a car for 150 miles for \$6.25, with three men, it seems to me that that would help to solve your problem.

Sir HENRY THORNTON: That is perfectly true, and I am glad to have confirmation of my own statement by Dr. McGibbon. He is quite right about that, and the introduction of such vehicles as he has mentioned represents one of the material sources of economy that we can pursue considerably.

Mr. MCGIBBON: And give the people service?

Sir HENRY THORNTON: And give the people quite a satisfactory service. Now, I think I explained at a previous meeting how we developed this diesel

electric vehicle and it has proven eminently satisfactory. And, incidentally also, that same sort of vehicle can be introduced in certain classes of switching services with great economy, because when a coal burning locomotive is standing still—and a fair proportion of the time a switching engine is standing still—it is still burning coal just about as much as if it is moving; but when a self-propelled vehicle and internal combustion engine stops the engine stops and the oil consumption stops, and there is a very large field for economy in certain classes of switching service by using an internal combustion engine just as there is in the introduction of the internal combustion engine such as the diesel electric on certain branch lines.

The CHAIRMAN: Now, gentlemen, can we pass Exhibit "A"?

Carried.

The CHAIRMAN: Exhibit "B", Summary of Estimated Interest Requirements for the Year 1932. Shall we pass Exhibit "B"?—Carried.

The CHAIRMAN: Exhibit "C", Detailed Statement of Items not Representing Cash, included in Summary of Estimated Net Income Requirements after Interest Charges?—Carried.

The CHAIRMAN: Exhibit "D", Summary of Retirements of Capital Obligations. Then there is Exhibit "D1", "D2" and "D3". Those are obligatory on the system.—Carried.

The CHAIRMAN: Exhibit "E", Acquisition of Securities. Shall we pass Exhibit "E"? Just what is that, Sir Henry?

Sir HENRY THORNTON: That is a ferry service which runs between Muskegon and Milwaukee, and we made a joint operating arrangement with the Pennsylvania Railroad.

The CHAIRMAN: And that is your share of the obligation?

Sir HENRY THORNTON: That is our share of the obligation.

Mr. FRASER: Is that the first contribution to the Dominion Agriculture Credits Company Limited?

Sir HENRY THORNTON: This is the second.

Mr. FRASER: Are they annual recurring assessments?

The CHAIRMAN: For a period.

Sir HENRY THORNTON: That is right. This is the second. They will recur from time to time.

Mr. FRASER: They are annual recurring contributions?

The CHAIRMAN: This company has subscribed for five hundred thousand dollars' worth of the share of that company and they have now paid, I understand, ten per cent of it, and ten per cent to be paid this year. Shall the item carry?—Carried.

The CHAIRMAN: Exhibit "F", Summary, Estimated Capital Expenditures for Additions and Betterments, divided into regions; and those are set out in Exhibits "G", "H", down to "O".—Carried.

The CHAIRMAN: Does anybody want to go into those different items? They are very small and I think they have been cut very well.

EXHIBIT "T", Statement Showing Proposed Expenditures for the Year 1932 on Branch Lines Included in the 1929-1932 Branch Line Construction Program as Passed by Parliament, Brantford cut-off \$100,000; Western Region \$175,000, and delayed charges included in 1931 \$75,000.—Carried.

The CHAIRMAN: Exhibit "Q", Toronto Terminals, \$370,000.—Carried.

The CHAIRMAN: How much more will there be to pay on Toronto Terminals?

Sir HENRY THORNTON: This winds it up.

The CHAIRMAN: Exhibit "R", Montreal Terminals, \$1,500,230.

Mr. DUFF: Not enough. That amount should be increased.

Sir EUGENE Fiset: That million and a half won't go far.

The CHAIRMAN: Have all the land property and damages been paid, or will this pay for it?

Sir HENRY THORNTON: Why this will meet, as I recall it, the immediate necessities, expenses which will necessarily result from closing down the terminals, certain obligations which have been incurred with respect to the purchase of property, and the restoration of streets and viaducts and things of that sort. And this, as I recall it, practically locks it up for such period as may be found wise.

Sir EUGENE Fiset: Is that one of the most glaring examples,—if the amalgamation of the two roads have taken place, that this expenditure would not have been authorized by this Committee?

The CHAIRMAN: It never was authorized by this Committee.

Sir EUGENE Fiset: It was recommended to this Committee by the House of Commons.

The CHAIRMAN: As a matter of fact I don't ever recall it being before this Committee, and I am borne out in that by Sir Henry Thornton. The whole Montreal Terminal situation was placed before the Select Committee on Railways and Canals. There is no responsibility attaching to this Committee. Does anybody want to ask any question about the Montreal Terminals? We have asked for a statement as to the present position and I believe it is in course of preparation.

Mr. KENNEDY: Are you going ahead with the Montreal Terminals?

Sir HENRY THORNTON: No, it is closed down.

Mr. BEAUBIEN: I suppose that is all under consideration by the Royal Commission?

Sir HENRY THORNTON: They asked for a memorandum on the subject and it was filed with them.

The CHAIRMAN: Exhibit "S", Northern Alberta Railways, General Additions and Betterments. What is that for?

Sir HENRY THORNTON: General additions and betterment to the lines we hold jointly with the C.P.R.

The CHAIRMAN: And that is the minimum requirement for this year. Gentlemen, I suggest that we pass this budget, reserving Exhibit "R" until we get the statement from the management. That is the Montreal Terminals.

Mr. MCGIBBON: Also reserving the right to discuss any of those questions we asked for information on.

Mr. MACMILLAN: Are you through with the business this afternoon?

The CHAIRMAN: This about winds it up. I would like if the Committee would agree to pass this this afternoon so that we might consider it closed except with regard to Exhibit "R" and any other questions that might arise in connection with questions that have already been submitted.

Mr. DUFF: Why not pass it with the reservation that we can discuss anything?

The CHAIRMAN: All right, is that agreeable to the Committee?

Mr. MACMILLAN: Mr. Chairman, I would like to know when the answers to the questions in regard to the New York offices will be here.

Sir HENRY THORNTON: I think that information will be here to-morrow.

Sir EUGENE Fiset: Before we conclude, I would like to know if the \$11,000,000 provided in the Bill and covered by this estimate on capital expense is to cover expense already incurred.

The CHAIRMAN: I understand that they are commitments not already expended but in course of expenditure, all accruing obligations.

Sir EUGENE Fiset: In other words, we are examining those figures in arrears.

The CHAIRMAN: Well, that is partly true.

The Committee adjourned to resume on Wednesday, 11th May, at 4 p.m.

HOUSE OF COMMONS, ROOM 231,

MAY 11, 1932.

The Select Standing Committee on Railways and Shipping met at 4 o'clock p.m., Mr. Hanson presiding.

The CHAIRMAN: Sir Henry, there are a number of requests outstanding: are we able to clean them all up to-day?

Sir HENRY THORNTON: We cannot clean them all up.

The CHAIRMAN: Give us what you have.

Sir HENRY THORNTON: Mr. Rogers asked the number of Americans employed in the Canadian National Railway shops at Winnipeg. The answer is thirteen.

The CHAIRMAN: There is a question on the order paper of the House of Commons by Mr. Price as to the number of American citizens employed by the Canadian National Railway Company in Canada. Have you any information on that?

Sir HENRY THORNTON: That is a question in the House. Mr. Munn asked me this question: "Statements showing the number of ties purchased during the past year, the number delivered and the price paid." The quantity contracted for is 4,428,663; quantity delivered 4,019,965; price paid \$2,559,441.34.

Mr. DUFF: Have you the names of the contractors, and the amounts of each contract?

Mr. MUNN: Also the list?

The CHAIRMAN: What day did you put the question?

Hon. Mr. CHAPLIN: Will you tell us what the date is in respect to those contracts. It has always been a rule in this committee that contracts in relation to the present year running should not be mentioned.

Mr. POWER: Tie contracts—

Sir HENRY THORNTON: The question as we have it is this: "Statements showing the number of ties purchased during the past year, the number delivered and the price paid." That is as I understood the question.

Mr. POWER: Have you the names of the contractors and the quantity delivered to each?

The CHAIRMAN: When was this question asked? I am just trying to check up when the question was asked.

Hon. Mr. EULER: Mr. Chairman, would it not be in order to give us the names of those in respect to ties only? I received a letter a few days ago from a small tie contractor, who made this complaint: He stated that the larger part of the contracts, or practically all were given to what he called the big fellows, at prices—I am not going to say there was any discrimination in regard to prices—that the large operators would then sub-let the contracts to what he called the little fellows; that they made those contracts, apparently of such a nature that they could either call upon them to deliver the ties or not; but the small contractors went to work and cut those ties at a very heavy expense, and then found them left on their hands. That is to say, they were not taken off their hands by the big contractors. I am not sure the railway has anything to

do with that, but if that condition exists, and if anything could be done to avoid it, it should be done. It sounded to me like a gross injustice to those small men.

Sir HENRY THORNTON: Personally, I do not know that I am competent to express any opinion about that, Mr. Euler, but we have done this: in the past, and I think more so this year, a certain number of ties were reserved for settlers; that is, those who carried on tie cutting operations as an ancillary occupation to their agriculture pursuits. It has always been thought wise on the part of the company to reserve a certain number of ties to help out farmers and settlers. I do not remember the exact number of ties that were reserved for that purpose, but that has been the practice of the company in the past.

Of course, if we let a contract to a large contractor, he would presumably have the right to make any arrangement that he wishes with respect to a sub-contract, and we would have nothing to do with that, unless it were obvious that some distinct injustice was being done. Naturally then, our interference would only be in the nature of moral suasion.

Hon. Mr. EULER: Is there any practice on the part of the railroad itself to deal only with the large contractor, or do they deal with the small ones? It might be much more convenient for them to do that, but I am not prepared to say.

Sir HENRY THORNTON: I rather think that Mr. Vaughan could perhaps answer that better than I, but he is not here this afternoon. I could probably have him if you wanted him. I think, speaking from my own knowledge, that we have given a certain number of contracts to the relatively small contractor, to help them out, but the bulk of the ties probably do go to the larger contractors who are in the tie business.

Hon. Mr. MANION: May I just say a word there. I do not think that this year that is correct. I think that may be true when there were big lots being ordered, but I think this year the number of contractors altogether is between 300 and 350. I do not know the average size of the contracts but 72 per cent of them were under 5,000 ties.

Hon. Mr. EULER: I received a letter a few days ago, in which the particular contractor, whose name I do not remember, stated that it was too late for anything to be done for him anyway. He said he was ruined absolutely, just by reason of making contracts with the large contractors, apparently, under which the larger contractor could call for a specified number of ties, but apparently he was not compelled to do so, or allowed to deliver them. Anyway, they were not taken from him, and he is simply left with a large amount on his hands.

Hon. Mr. MANION: In the past years, leaving aside any attempt or any thought of criticism, both railways were buying probably 20,000,000 ties in some years, the Canadian National Railways and the Canadian Pacific Railway together. In the past year, I do not know what the Canadian Pacific Railway bought. They did not buy very many. They had to cut down their maintenance as much as possible; but the Canadian National bought this year 2,000,000 under the unemployment relief scheme. This has been explained often enough. Last year something under 4,000,000 were bought, so that naturally tie contractors had nothing like the large scale on which to work. I should think that over half of the ties this year, probably two-thirds, have been given to settlers in small contracts, around 1,000 ties.

Sir HENRY THORNTON: I think I mentioned that, doctor, I do not know if you heard me or not, but what I said was this: it had been our practice for some time to reserve a certain number of ties for settlers and farmers for the purpose of helping out their agriculture pursuits. I do not know exactly, as I said, how many were allocated for that purpose this year?

Hon. Mr. MANION: I think much more than half.

Hon. Mr. EULER: The crux of his statement was really this, or his complaint—I cannot vouch for the accuracy of it—that it was impossible for the smaller man to get contracts from the railway, and that the railway preferred to deal with the larger contractors.

Hon. Mr. MANION: They are not dealing with the larger ones this year at all, to any extent.

Hon. Mr. EULER: I merely would like to see, if it is at all possible, a chance given to the small fellow to get a fair share of the business.

The CHAIRMAN: Mr. Munn, you did not ask for a list, according to the minutes. Let me call your attention to the record. In the Minutes and Proceedings, No. 3, Tuesday, April 12th, I find the following—

Mr. MUNN: You had better let me finish what I was going to say.

The CHAIRMAN: I should like to put the matter clearly on the record. "Mr. Munn asked to be supplied with a statement showing the number of ties purchased during the past year, the number delivered and the price paid." Now, that is the clerk's minutes. I do not pretend that is the record, but the record on page 53 is as follows:—

Mr. MUNN: At the next meeting I should like to have some information from the officials in regard to tie contracts which were placed this past year.

The CHAIRMAN: There is no reason why they should not produce that.

Mr. MUNN: The Railway Committee, I think, authorized the purchase of something like 2,000,000 ties. I should like to have an idea as to the amount of ties purchased, and what price was paid for them, and how many had been delivered.

Now, that is the record.

Mr. MUNN: And the list.

The CHAIRMAN: There is nothing about any list in your question, sir.

Mr. POWER: This matter came up at another meeting, Mr. Chairman.

The CHAIRMAN: This is in response to that request, as I understand it, and the answer is correctly stated.

Mr. POWER: That request was turned down by the committee, because that request refers to the 1932 ties.

The CHAIRMAN: I do not recall that.

Mr. POWER: There was another request, I think, made by Mr. Munn and probably later by myself that information in regard to ties delivered in 1931 be obtained.

Hon. Mr. MANION: May I say this? I have no objection to the list being given. As a matter of fact, the other day here in committee, it was voted down—

Mr. POWER: No; may I interrupt you there to say that the vote was taken on the list of ties delivered under the unemployment relief.

Hon. Mr. MANION: This year.

Mr. POWER: That is dead and gone, done for and buried as far as this Committee is concerned, because there has been a decision on it. We may have to take it up in the House some time later, but it has nothing to do with this here. The next thing is, there have been 4,000,000 ties delivered in 1931, and if I have not already asked for that information, or if Mr. Munn has not already asked for it, I ask for it now.

The CHAIRMAN: Mr. Munn, according to the record, did not ask for a list; and the information given by the railway is in response to the question as laid down in the record.

Hon. Mr. CHAPLIN: In order not to waste any more time I will move that the names in respect of those particular contracts which are now being asked for, be provided.

Hon. Mr. MANION: If you do not mind, Mr. Chaplin, make that 1930 and 1931; we shall bring down the two years.

Hon. Mr. CHAPLIN: I am satisfied.

Mr. POWER: All right.

Hon. Mr. MANION: I am simply trying to facilitate matters; it may take a couple of days.

Mr. POWER: If we cannot do that, we will suspend the rule.

The CHAIRMAN: By unanimous consent you can do anything.

Mr. POWER: Will it take very long?

Hon. Mr. MANION: It will take some time, a couple of days anyway. I told my secretary to get whatever list we had, since there has been so much talk as if there were something to hide, it was my intention to bring down the list, anyway. There has been so much talk about this, and my secretary did not have the complete information.

Mr. POWER: Would you shorten matters by showing all contracts over 5,000 ties?

Hon. Mr. MANION: No; I want them all brought down.

Hon. Mr. CHAPLIN: I am interested in the little fellows.

Mr. KENNEDY: Can you bring down a list, after the committee has voted that the list be not produced?

The CHAIRMAN: That is this year's. We are not asking for 1932.

Mr. POWER: We cannot ask for it.

Mr. FAIRWEATHER: With regard to the question of the expenses of directors in connection with meetings of directors and executive committee during 1931, I have the following information:

Under the original order-in-council appointing directors their compensation was set at \$2,000 a year. Under the Company's by-law No. 11, passed June 13, 1927, and approved by P.C. 1022 dated June 30, 1927, the members of the executive committee (now eight in number) are paid \$40 for attendance at an executive committee meeting.

Directors also receive travelling expenses (which since February 1, 1931 are \$15 per day and train accommodation) in attending meetings and incurred otherwise on Company's business. Directors who live at a distance from Montreal, where most meetings are held, naturally require more time in travelling than other directors.

Directors attending meetings of the executive committee (as amended) in connection with the report of the 1931 Select Standing Committee also receive \$40 per meeting and train accommodation, and expenses at \$15 per day.

There were in all twelve meetings of the Investigation Committee. No fees for such meetings were paid when held on the same days as Executive Committee meetings.

Then follows a statement of the fees and expenses of directors for the year 1931, and a similar statement of fees and expenses for the year 1930.

In the year 1931:

—	Attend- ance at directors' meetings	Approxi- mate travel — Days	Direct- ors' annual fees	Executive meetings attended and fees	Investi- gation com- mittee fees	Expenses	Total
Sir H. W. Thornton.....	11	.....	.....	19—.....	*	.....	.....
Ruel, G.....	10	.....	12,000	20—.....	*	.....	\$2,000 00
Smart, V.I.....	11	2	2,000	22—\$880	\$120	.....	3,000 00
Moore, Tom.....	9	2	2,000	.....	200	\$ 275 00	2,475 00
Cumming, J. T.....	11	4	2,000	.....	.....	2,771 20	4,771 20

Hon. Mr. EULER: I would suggest giving the place from whence the director comes.

Mr. FAIRWEATHER: Mr. Ruel, of course, resides in Montreal, Mr. Smart is resident in Ottawa, Mr. Tom Moore is resident in Ottawa, Mr. Cumming in New Glasgow, Mr. Palmer in Fredericton, and Mr. Kennedy in Charlottetown.

Hon. Mr. EULER: Give them as you go along.

Mr. POWER: What year?

Mr. FAIRWEATHER: 1931.

The CHAIRMAN: This was asked for by Mr. Chaplin.

Mr. FAIRWEATHER: Mr. Kennedy at Charlottetown.

—	Attend- ance at directors' meetings	Approxi- mate travel — Days	Direct- ors' annual fees	Executive meetings attended and fees	Investi- gation com- mittee fees	Expenses	Total
Palmer, J. D.....	11	4	\$2,000	.....	.....	\$1,376 75	\$3,376 75
Kennedy, M.....	10	5	2,000	.....	.....	1,615 00	3,615 00
Henderson, G.....	9	.....	2,000	21—\$840	\$160	47 50	3,047 50
Labelle, J. E.....	11	.....	2,000	24— 960	160	47 50	3,167 50
Moraud, L.....	7	2	2,000	22— 880	120	697 00	3,697 00
Perry, G. F.....	7	2	2,000	.....	.....	.....	2,000 00
Morrow, F. K.....	6	2	2,000	11— 440	120	.....	2,560 00

*The President and Mr. Ruel were not on the Investigation Committee.

The Board now consists of 17 members.

Mr. Boys, Barrie, attendance at Directors' meetings 6; approximate travel time 2; Directors' annual fees \$2,000; executive meetings 13; fees \$520; investigation committee \$160; expenses \$536.60; total \$3,216.

Mr. Richards, Winnipeg, attendance at Directors' meetings 10; approximate travel time 6; Directors' annual fees \$2,000; expenses \$1,870; total, \$3,870.

Mr. Smith, Vancouver, attendance at Directors' meetings 4; approximate travel time 4; Directors' annual fees \$2,000; expenses \$1,111.40; total \$3,111.40.

Mr. R. B. Horner, Saskatchewan, attendance at Directors' meetings 3; approximate travel time 10; Directors' annual fees \$528; expenses \$640; total \$1,168.

Mr. Ramsay, Edmonton, attendance at Directors' meetings 3; approximate travel time 8; Directors' annual fees \$528; expenses \$468; total \$996.

Total Directors' annual fees \$29,056; Executive Committee meeting fees \$4,520; investigation committee fees \$1,040; expenses \$11,455.95; total \$46,-071.95.

Executive fees, \$40 for meeting (paid in gold to October 13, 1931).

Investigation Committee, \$40 per meeting if no executive meeting on same day.

Number of Board meetings, 11 (one in Ottawa).

Number of Executive meetings, 24.

Number of Investigation Committee meetings, 12.

The President and Mr. Ruel were not on the Investigation Committee.

And then with regard to Mr. Ramsay and Mr. Horner, in office since September.

The Board now consists of seventeen members.

The next is a statement of fees and expenses of Directors for the year 1930.

CANADIAN NATIONAL RAILWAYS
STATEMENT OF FEES AND EXPENSES OF DIRECTORS, YEAR 1930

	Attend- ances at directors' meetings	Approxi- mate travel — Days	Directors' annual fees	Executive meetings attended and fees	Expenses	Total
Sir H. W. Thornton.....	8			(21)		
Talbot, Col. O. E.....	5	2	\$2,000 00		149 00	\$2,149 00
Brown E.....	9	6	2,000 00		1,350 00	3,350 00
Decary, E. R.....	7		2,000 00	(26) \$1,040 00		3,040 00
Gardner, J. Gill.....	7	2	2,000 00	(21) 840 00	3,530 20	6,370 20
Henry, R. A. C.....	6	2	1,716 67	(20) 800 00		2,516 67
McDougald, D. J.....	6	2	2,000 00		221 09	2,221 09
Moore, Tom.....	5	2	2,000 00		300 00	2,300 00
Rayside, J. S.....	8		2,000 00	(24) 960 00	450 00	3,410 00
Rattenbury, N.....	7	5	2,000 00		525 00	2,525 00
Ruel, G.....	5		2,000 00	(24)		2,000 00
Smith, E. A.....	9	4	2,000 00		730 00	2,730 00
Smart, V. I.....	6	2	1,666 67	(18) 720 00		2,386 67
(10 months only)			\$23,383 34	\$4,360 00	\$7,255 29	\$34,998 63

NOTE:—Executive Fees—\$40 per meeting (paid in gold). Number of Board Meetings, 9. Number of Executive Meetings, 26. The Board consisted of thirteen members.

Mr. DUFF: Mr. Chairman, in the 1930 list of Directors' expenses and fees, the only one that looks a little out of line is J. Gill Gardner, \$3,500 expenses. Is there a special reason for that large amount?

Sir HENRY THORNTON: I can explain that in this way, Mr. Duff: During the time of his incumbency as a director in office the hotel at Jamaica was being opened. There were a good many controversial matters in connection with the Independent Banana Producers Association in Jamaica with respect to shipments and a number of things of that sort which developed, and it was thought wise on the part of the Board that Mr. Gardner should go to Jamaica to look over the situation, which he did.

Mr. MACMILLAN: What were his expenses the year before?

Sir HENRY THORNTON: I cannot tell you offhand but we can find out.

Mr. MACMILLAN: Was he looking upon the National Railways as a Christmas tree at that time?

Sir HENRY THORNTON: I don't think I require to answer the question put just in that way.

The CHAIRMAN: I would like to point out that Mr. Palmer's expenses includes, he tells me, several attendances at Moncton and St. John and elsewhere in the Province of New Brunswick on Canadian National business exclusively, and I think the same is true with respect to Mr. Cumming. I cannot speak with respect to any of the other directors for I don't know.

Mr. POWER: Anyway, there is nothing wrong with any of those accounts, if you ask me.

Hon. Mr. MANION: I was going to say, that I don't know that in either year there is any great justification for criticism indeed, for the total amount at any rate.

The CHAIRMAN: All right, let us go on to something else, then.

Mr. FAIRWEATHER: In answer to Dr. McGibbon, with respect to the question raised by Parliamentary Committee asking for the commissions paid in connection with the acquisition of property for Montreal Terminal Development, chapter 12, 1929:—

Total expenditure to December 31, 1931, for property..	\$8,654,903 11
1. Commissions on Real Estate purchased..	54,809 42
2. Retainers paid to Real Estate and Building Experts for advice in making valuations and Court cases..	34,736 72
3. Fees paid to Building and Real Estate Experts for special detailed reports on various properties..	33,843 66

The CHAIRMAN: Have you totalled that?

Mr. FAIRWEATHER: \$123,389.80.

Question by the Chairman:—

Question—How many employees were in the Legal Department in 1929, 1930 and 1931, divided between lawyers and others?

Answer:—

	Lawyers	Others	Total
1929..	28	72	100
1930..	28	74	102
1931..	28	72	100

Mr. GRAY: What does the term "others" mean?

Sir HENRY THORNTON: Stenographers, I suppose, and clerks, and people of that sort.

Mr. GEARY: Laymen.

The CHAIRMAN: That is the system?

Sir HENRY THORNTON: That is the system.

Mr. GEARY: Does that include the American lines?

Sir HENRY THORNTON: That is the total of the Canadian National System.

Mr. GEARY: I suppose a lawyer is a man who has passed his examinations?

Mr. FAIRWEATHER: Then the next question is in connection with the New York Office Building.

NEW YORK OFFICE BUILDING

(1) Question: On page 1930-31 of Hansard for the session of 1931, Mr. McGibbon asked certain questions regarding the New York office of the Railways—I would like to inquire if the Railways had to pay any of the occupants or lessees of office space in the building at 673 Fifth Avenue in order that the Railway should obtain immediate possession of the building? If so, how much money was paid out in this connection.

Answer: None—See reference later to over-lease.

(2) Question: How much money did the Railways spend on re-modelling the premises, and how much on furnishings, and in what year?

Answer:

	Remodelling	Furniture
1930..	\$ 201,335 71	\$ 18,878 34
1931..	5,991 00*	.....
	<hr/>	<hr/>
	\$ 195,344 71	\$ 18,878 34

* Credit adjustment.

(3) Question: (a) What is the term of lease by the railways at office building 673 Fifth Avenue, New York?

(b) What is meant by over-lease held by Cordelia Realty Corporation, expiring April 30th, 1955?

Answer: (a) The tenure of 673 Fifth Avenue by the Canadian National is determined by two leaseholds, 1st, a sub-lease expiring April 30, 1934, and 2nd, an over-lease expiring April 30, 1955, with option of renewal to April 30, 1976.

(b) The leasehold situation of 673 Fifth Avenue is complicated owing to the New York practice of trading in leaseholds and over-leases. An over-lease is one which establishes tenure at the expiration of an existing leasehold, and as such, an over-lease has a present-day market value. It furnishes a means whereby the proprietor may obtain the full market value, at a specified time, of his property rights subject of course to any existing lease, the holder of the over-lease standing in the position of the proprietor with regard to any existing leases. In the case of 673 Fifth Avenue there are two basic documents,—1st, a lease from the then proprietor, Adelaide Pyle, dated February 26, 1913, establishing tenure to April 30, 1934, 2nd, an over-lease from the Pyle Trustees, successors to Adelaide Pyle, dated May 15, 1920, establishing landlord rights as regards previous lease and additional tenure from May 1, 1934, to April 30, 1955, with option of renewal to April 30, 1976. At various times there were sub-leases of the original lease and assignments of the over-lease. A record of these various transactions is as follows:—

HISTORY OF LEASES AND OVERLEASE 673 FIFTH AVENUE, NEW YORK

	Instrument Dated	Effective		Nature of Transfer	From	To	Covering
		From	To				
Overlease.....	1920, Mar. 1.....	.....	.....	Assignment of Title.....	Adelaide Pyle.....	Pyle Trustees.....	Entire property.
	1920, May 15.....	{ 1920, June 1 with right of renewal to	{ 1955, April 30 1976, April 30 }	Overlease.....	Pyle Trustees.....	Mallex Realty Cpn.....	Entire property.
	1925, Jan. 29.....	.....	.....	Assignment of Overlease	Mallex Realty Cpn.....	Cordelia Realty Corporation.	Entire property.
	1929, Dec. 30.....	.....	.....	Assignment of Overlease	Cordelia Realty Corporation.	Can. Nat. Rys.....	Entire property.
Leases.....	1913, Feb. 26.....	.....	.....	Lease "A".....	Adelaide Pyle.....	C. J. Duveen.....	Entire property.
	1916, Feb. 18.....	{ 1913, Sept. 1 { 1916, Feb. 18 with right of renewal to	{ 1934, April 30 1924, April 30 }	Sublease "B".....	C. J. Duveen.....	Geo. Bernard Co. Inc.	Basement, 1st and 2nd floors.
	1921, Dec. 1.....	{ 1921, Dec. 1 with right of renewal to	{ 1934, April 30 1924, Nov. 30 }	Sublease "C".....	C. J. Duveen.....	F. N. Lewis (Eliz. Arden).	3rd and 4th floors, 2 rooms and bath on 5th.
	1923, Oct. 1.....	{ 1923, Oct. 1 with right of renewal to	{ 1934, April 30 1924, Nov. 30 }	Sublease "D".....	C. J. Duveen.....	F. N. Lewis (Eliz. Arden).	Additional 2 rooms and bath on 5th floor.
	1924, June 18.....	.....	.....	Lease (E).....	C. J. Duveen.....	Geo. Bernard.....	Entire property.
	1924, July 14.....	{ 1924, July 1 with right of renewal to	{ 1934, April 30 1924, April 30 }	Assignment of Lease "E"	Geo. Bernard.....	673 Fifth Ave. Corporation.	Entire property.
	1925, June 3.....	.....	.....	Sublease "F".....	673 Fifth Ave. Corporation.	F. N. Lewis (Eliz. Arden).	6th and 7th floors.
	1924, Sept. 2.....	{ 1926, May 1 with right of renewal to	{ 1934, April 30 1924, April 30 }	Sublease "G".....	673 Fifth Ave. Corporation.	F. N. Lewis (Eliz. Arden).	Remainder of 5th floor.
	1929, Dec. 24.....	.....	.....	Assignment of sublease "B."	Geo. Bernard Co. Inc.	Can. Nat. Rys.....	Basement, 1st and 2nd floors.
	1929, Dec. 30.....	{ 1929, Dec. 31 with right of renewal to	{ 1934, April 30 1924, April 30 }	Lease "H".....	673 Fifth Ave. Corporation.	Can. Nat. Rys.....	Entire property.

(b) The Canadian National sub-lease dated December 31, 1929, and extending to April 30, 1934, for the whole building was for a gross rental of \$85,000 per year. The assignment of the over-lease dated December 31, 1929, provides for annual payments as follows, applicable to the whole building:—

	Per year
December 31, 1929, to April 30, 1934.. . . .	\$ 40,000
May 1, 1934, to April 30, 1944.. . . .	50,000
May 1, 1944, to April 30, 1955.. . . .	60,000

Optional renewal 6 per cent on appraised valuation to April 30, 1976, rental not to be less than \$60,000 per year.

The final result is that the Canadian National Railways pays gross rental to April 30, 1934, of \$125,000 and receives payments under various agreements of \$66,200, leaving a net rental under the lease agreements of \$58,800. To secure the assignment of the over-lease the Canadian National Railways paid a lump sum of \$215,000. The amortization of this amount over the period to April 30, 1955, amounted to \$8,835.60. The gross rentals subsequent to April 30, 1934, to which date the present sub-tenants are bound, will be off-set to the degree to which surplus space may be rented.

(4) Question: Does the lease of this building extend until April 30, 1955?

Answer: Yes, with option of renewal, as described.

(5) Question: How much did the railways receive in rental from sub-tenants occupying this building last year?

Answer: \$32,000.

(6) Question: (a) Are the premises at 505 Fifth Avenue vacated by the railways still unoccupied?

(b) When does the lease on the said premises expire?

Answer: (a) The premises are at present unoccupied. From December 12, 1931, to April 30, 1932, the premises were occupied by the Waterbury Watch Company, the rental being fixed by a percentage of the gross business.

(b) August 30, 1935.

(7) Question: What is the annual rental of the premises at 505 Fifth Avenue, New York, for the years 1929, 1930 and 1931?

Answer: \$55,000 per annum.

(8) Question: What is the annual gross and net rental paid by the railways for premises at 673 Fifth Avenue, New York, for the years 1929, 1930 and 1931?

Answer:

	Gross	Net
1929.. . . .	....	....
1930.. . . .	\$ 125,000	
(Less \$34,200) or.. . . .	90,800	\$ 58,800
1931.. . . .	125,000	
(Less \$34,200) or.. . . .	90,800	58,800

After 1934 the gross rental is reduced by \$48,800 per annum for 10 years.

(9) Question: What is the annual rental paid by the railways for premises occupied by the Traffic Department in the Woolworth Building, New York, for the years 1929, 1930 and 1931?

Answer: \$14,000 per annum.

(10) Question: What amount of money did the National Railway pay by way of net and gross rental for the premises at 673 Fifth Avenue, New York; 505 Fifth Avenue; and, office space in Woolworth Building, New York, for the same period?

Answer: See answers to 7, 8 and 9.

(11) Question: Yearly amount of salaries and business done last year New York office?

Answer: Salaries \$66,851.25—Tick business \$502,353. To the end of 1931 the New York office established contact with 438 cases where American manufacturing concerns might be interested in locating in Canada. 79 have actually entered Canada, either building their own plants, taking over existing plants or arranging for the manufacturing of their products by Canadian companies. A large number of the remaining projects are still under negotiation. In 1931, in addition to display advertising, 40,000 pieces of advertising literature with regard to Canada were distributed to enquirers.

(12) Question: Who is the Cordelia Company?

Answer: The Cordelia Realty Corporation held by assignment the over-lease of 673 Fifth Avenue as set forth in 3-b. The railway has no information as to this Corporation, other than the fact that a Dr. Partos represented the Cordelia Realty Corporation in the negotiations leading to the acquisition of this over-lease by the Canadian National. The records show that the Cordelia Realty Corporation became the holders of the over-lease on January 29, 1925. The Canadian National negotiations for the acquisition of this over-lease on December 31, 1929, were carried on through Douglas Elliman & Company, Real Estate Brokers, New York.

(13) Question: Who was the architect employed in remodelling of premises in New York, and what remuneration he received?

Answer: Warren and Wetmore—Remuneration received \$17,000.81.

Mr. McGIBBON: Who negotiated that on behalf of the railways?

Sir HENRY THORNTON: I think the answer is in the question; Douglas Elliman & Company. They are well known real estate brokers in New York.

Mr. McGIBBON: Could you tell us what justification there was of going to such enormous expense for this business?

Sir HENRY THORNTON: The Grand Trunk Company, one of the predecessor companies of the Canadian National system, had a passenger traffic office in New York on the second floor of a building at the corner of Broadway and 34th street. The location was poor, and the volume of business transacted was inconsiderable. The management of the Canadian National Railways had a keen realization of the value from the traffic point of view of the densely populated district surrounding New York, and it was considered desirable to obtain an office better suited for the solicitation of passenger business. It was also felt in view of the fact that the capital necessary for the development of Canada must come largely from the United States and particularly from New York that it would be wise to have a centre from which information regarding Canada in general and the Canadian National Railways in particular could be

disseminated. Accordingly, in September, 1925, premises were leased at 505 Fifth Ave., near the corner of 42nd street. Prior to that time no important railway maintained ground-floor offices in New York. Subsequent to the Canadian National moving to 505 Fifth Avenue a number of important railways moved onto Fifth Avenue and followed the same policy. As the business of the office grew the space at 505 Fifth Avenue was found to be inadequate and negotiations were commenced to obtain more suitable premises. A careful study of business trend in New York revealed that there was a bigger tendency toward an uptown movement and it was considered desirable to locate at 673 Fifth Avenue at the corner of 53rd street. The change in location served the double purpose of providing necessary additional space required and improving the strategic location of the office. At the time the corner of 53rd street and Fifth Avenue was the only corner, as I recall it, which was available north of 42nd street. The New York office, in addition to acting as a ticket and routing bureau serves as a ready outlet for a wide range of information, not only regarding the Canadian National, but also regarding the tourist attractions and resorts as well as the natural resources of Canada in general.

From the narrow standpoint of passenger traffic alone, the growth in ticket sales indicates the beneficial effect of moving to the Fifth Avenue location, as will be seen from the following table of gross receipts of the New York office from 1925 to date. In 1925, that is to say, the year prior to moving to 505 Fifth Avenue, the total ticket sales were \$169,338; in 1926—the first year after moving to Fifth Avenue—the sales were \$306,212; in 1927, the sales were \$396,589; in 1928 the sales were \$384,498; in 1929 the sales were \$435,539; in 1930 the sales were \$520,363; and in 1931 the sales were \$502,353.

In other words, although 1931 might be called the depression year still in that year the ticket sales increased from \$169,338 in 1925 to \$502,353 in 1931.

The volume of ticket sales in 1931 totaled 21,367 tickets with gross receipts at \$502,353.

Mr. McGIBBON: It is costing between \$200,000 and \$250,000—

The CHAIRMAN: Let us add up the costs.

Sir HENRY THORNTON: May I continue. The benefits to Canada of such an excellently located office in selling to the American public the advantages of Canada's tourist attractions are undoubtedly of considerable value to the attraction of tourist traffic, apart altogether from the direct benefit to the Canadian National from passenger ticket sales.

I might say at this point, and I do not think it develops later on, that the Canadian Pacific have what would be described as a large building. I think it is about the corner of 43rd or 44th street and Madison avenue, which they use for railway and steamship purposes, and the general requirements of their company's business in New York.

The CHAIRMAN: Do they not sublet?

Sir HENRY THORNTON: The building if my memory serves me—the building is called the Canadian Pacific. What their arrangement is or how they got it or what they pay for it—

The CHAIRMAN: I have often been in it and part of it is sublet.

Sir HENRY THORNTON: The upper storeys are sublet just as the upper storeys in our building are.

Mr. MACMILLAN: That would be close by your original building.

Sir HENRY THORNTON: Not far; just two or three blocks.

The CHAIRMAN: It is right in the heart of the Grand Central district.

Sir HENRY THORNTON: It is close to the Grand Central district. You might ask why it was we gave up the location at 505 Fifth avenue and moved to the corner of 53rd street and Fifth avenue. 505 Fifth avenue is just a few

doors north of 42nd street. 673 Fifth avenue is the corner of 53rd street and Fifth avenue, and as has been previously said there was a distinct trend of business northward in New York. 57th street has become an important shopping street. It is wider than most of the cross streets in that particular vicinity and there are located on that street a number of important shops. There has lately developed a very important hotel construction north of 67th street. There is the Plaza hotel which is somewhere around 58th street, facing the park. There is the Savoy-Plaza which has lately been built and opened almost across the street. There is a large and important hotel known, I think, as Pierre's which is still further north on Fifth avenue. There is the Madison hotel on Madison avenue, and, I am speaking from memory now, somewhere in the vicinity of about 56th or 54th street; and the general movement of high-class hotels seems to be and has been borne out by the fact, northward. For instance, I have understood that the Ritz hotel which is now located about somewhere in the vicinity of 43rd or 46th street and Madison avenue is to be torn down and would have been torn down probably if it had not been for the depression, and an office building or shop of some sort would have been opened or constructed on that location. So that the best information which could be obtained from real estate experts and others was that the movement northward of business and hotels in New York, which, in 1912, probably had its centre at the old Waldorf-Astoria on 32nd and 34th street and Fifth avenue—that movement was going to be progressively northward, and year by year one has seen residences on Fifth avenue pulled down and turned into business lots. So there is no question at all but that the movement of hotels and shopping business is decidedly northward. Therefore, we felt, having regard for the fact that our quarters at 505 Fifth avenue were becoming cramped, that it was the part of wisdom to take advantage of the opportunity at that time and to put ourselves in what we believed would subsequently become the important hotel and traffic district of New York. And it was for that reason that we moved up to 53rd street and Fifth avenue. May I just continue:—

Canada's many opportunities for exploitation of natural resources and industrial developments are constantly being placed before those concerned which might be interested in locating in the Dominion, by a natural resources engineer located in the New York office.

You have all heard the evidence which has been given with respect to the number of concerns who located in Canada, and I need not repeat that.

In addition to the New York territory, all passenger offices, in the eastern United States excluding Boston and Portland are under the jurisdiction of the New York office. Thus the activities of the offices at Cleveland, Buffalo, Pittsburgh, Washington and Philadelphia are controlled by the New York office.

The attached statement shows in detail the 1931 expenses of the offices at 673 Fifth avenue which may be summarized as follows: Net rental paid \$58,800; amortization of leasehold rights \$8,836; building and office expense \$9,582; taxes and insurance \$28,407; salaries and expenses of staff \$92,277. Total expenses \$197,902.

Mr. MACMILLAN: What year was that?

Sir HENRY THORNTON: That was last year.

The CHAIRMAN: Just give us those figures again. What was the \$58,800?

Sir HENRY THORNTON: Rental.

The CHAIRMAN: Net rental?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: What was the figure \$8,836?

Sir HENRY THORNTON: Amortization of the leasehold rights; building and office expense \$9,582; taxes and insurance \$28,407. Salaries and expenses of staff \$92,277, making a grand total of \$197,902.

Mr. McGIBBON: Is that in addition to the \$55,000 for Fifth avenue?

Sir HENRY THORNTON: That is in addition to that less any rentals that we may have got out of it. At the time that this project was entered into it was my feeling, and it was shared by all of those whose opinion was worth while, that the building at 505 Fifth avenue could be leased for more than the rental we were paying at that time. That was the opinion of Douglas Elliman & Co., who are well-known and experienced real estate brokers, and that was the general opinion which was given me by one or two others whom I consulted. Unfortunately, due to the depression and the general depreciated condition of real estate values and real estate rentals in New York that hope has not been realized, and while we have got a certain rental out of 505 Fifth avenue we have not got out of it the total amount we expected to get. We have under negotiation now a proposal with a certain concern which may result in our recovering practically all or a substantial amount of the rental which we already paid for 505 Fifth avenue.

Mr. MACMILLAN: Will you tell me what you receive from the Waterbury Watch Company?

The CHAIRMAN: As a matter of fact, Sir Henry, it cost you \$252,902 last year to do \$502,000 worth of business.

Sir HENRY THORNTON: No. I do not think I should put it that way.

Mr. MACMILLAN: Fifty per cent.

The CHAIRMAN: Over.

Sir HENRY THORNTON: The total amount came to \$197,902.

The CHAIRMAN: Plus \$55,000.

Sir HENRY THORNTON: That is quite true. If you add that into it it does come to that. Unfortunately, we or nobody else could foresee the unfortunate depression of real estate and rental values in New York.

Mr. McGIBBON: The change in location did not bring you more business.

Sir HENRY THORNTON: It did this—I do not know if you could say it did not bring us any more business—it enabled us to retain a considerable proportion of what we already have in a time of depression, because in 1928 the business—the total ticket sales amounted to \$384,000 and in 1931, which was certainly a depression year, the ticket sales were \$502,000. So we not only retained our business in 1928 but we very materially added to it.

Mr. McGIBBON: It cost \$250,000 to get that business.

Mr. MACMILLAN: It cost \$250,000 a year to get \$118,000.

Hon. Mr. CHAPLIN: May I ask what year it was, and what time of the year the Canadian National moved into 673 Fifth avenue?

The CHAIRMAN: The deal was closed in December, 1930.

Sir HENRY THORNTON: My recollection is that—

Mr. McGIBBON: The lease says December 30, 1929.

Sir HENRY THORNTON: Mr. Burnap, do you know the date that we opened the 53rd Street Office?

Mr. BURNAP: I have the records here.

Sir HENRY THORNTON: October, 1929, Mr. Chaplin.

Hon. Mr. CHAPLIN: Then Mr. Chairman, from the figures that Sir Henry Thornton has given us, the business in the old premises in the year 1925 amounted to \$169,000—we are still in those premises, and the business increased each year, 1926 to \$306,000 odd, in 1927 to \$396,000, in 1928, \$385,000, and in 1929 it was \$435,000, and with the new premises there has been an increase of less than \$100,000; so that all this expense has been gone through in order to increase the business by less than \$100,000.

Sir HENRY THORNTON: A point to remember in connection with that is this: as far as one could estimate, the location of the old ticket office at 505 Fifth avenue was likely to steadily depreciate as a traffic gaining centre, and the general impression was, and I think it was right, that if we had remained in that location we would not have had any increase in business; we might have seen a decrease in business.

Mr. McGIBBON: It had been increasing every year.

Sir HENRY THORNTON: Yes; I am trying to make it clear to you that that district was rapidly depreciating.

Mr. MACMILLAN: Are the Canadian Pacific Railway in the district?

Sir HENRY THORNTON: Yes.

Mr. MACMILLAN: How long have they occupied that building?

Sir HENRY THORNTON: I do not know.

Mr. MACMILLAN: Is it ground floor premises?

Sir HENRY THORNTON: The whole building—I do not know how much they occupy. I understand they occupy the basement and the first floor; they might occupy one or two other floors, I do not know.

Mr. MACMILLAN: In the new premises on Fifth Ave., do you occupy anything other than the ground floor?

Sir HENRY THORNTON: We occupy the basement and the ground floor, and the floor immediately above that.

Mr. MACMILLAN: The old premises had a larger ground floor space than the new, had it not?

Sir HENRY THORNTON: I cannot answer that off-hand.

Mr. MACMILLAN: I understand that.

Hon. Mr. EULER: Would it be fair to assume that since your business has diminished, both passenger and freight in the last year or so, that ordinarily your business in New York in the old office would have been reduced instead of that in the new office you increased your business. Is that a fair assumption? You would probably have had less business than you did have.

Sir HENRY THORNTON: That is a point that I tried to make clear.

The CHAIRMAN: May I ask you a question, Mr. Euler? Do you think it is a profitable business in the face of the figures presented here?

Hon. Mr. EULER: I certainly would not say it was not.

The CHAIRMAN: A business that costs over fifty per cent of that produced.

Hon. Mr. EULER: I do not think the chairman has any business to ask me any questions at all. You may ask that of those in charge of the road; I am not in charge of the road. The suggestions that are constantly being thrown out, are making me tired.

Mr. MACMILLAN: Nobody throws out any more than you do.

Hon. Mr. EULER: I have not made any.

The CHAIRMAN: If you object to the question being directed to you, I withdraw it.

Mr. GEARY: Would it be useful to show comparisons of the receipts in the last year in the old premises?

Sir HENRY THORNTON: Before making any reply to those general questions, I should like to call your attention to an editorial that appeared in the New York Times on Wednesday, November 12th, 1930.

Mr. GEARY: November, what year?

Sir HENRY THORNTON: 1930. This editorial is entitled: "Canada Carries On. With becoming modesty, the splendid new building in Fifth Ave. of the Canadian National Railways has been opened. Sir Henry Thornton came

from Canada to attend, but there were no ceremonies. Many a smaller institution in this city has been inaugurated with pomp more fitting to this building; few business offices in the world compare with it in taste and beauty.

In the time of depression, the action of the Canadian National Railways in going through with the plans for these offices is stimulating. Discussing the Dominion affairs with New York newspapermen—"well, I am not going to read what I said myself, because it won't interest you one way or the other. But I do want to call your attention—perhaps I may be misunderstood—but at the same time I want to call your attention to this; here is an editorial which came in unsolicited, and published in the New York Times, a newspaper of reputation and standing, and which in brief, compliments Canada and the Canadian National Railways for having established offices on the greatest thoroughfare of any city in the world.

The CHAIRMAN: Well Sir Henry, that is a matter of opinion. I suggest to you the Grand Central Station, which I suppose is the greatest station in the world for incoming and outgoing traffic, did not move north. I suggest to you sir, that the great bulk of the leading hotels in New York did not move north, and that the natural place—

Mr. POWER: They did not move the statue of Liberty.

The CHAIRMAN: That remark is just intended to draw a red herring across the trail. I suggest to you that the most convenient place for a ticket agency in the city of New York is in the vicinity (a) of the Grand Central, (b) the great mass of hotels that are situate in the immediate vicinity. I think I know that part of New York pretty well.

Mr. GRAY: That is your opinion as against the railways.

The CHAIRMAN: As against the railways; and the figures shown are most astonishing and startling.

Sir HENRY THORNTON: Well Mr. Chairman, I suppose you would like me to answer that.

The CHAIRMAN: You may, if you wish.

Sir HENRY THORNTON: The statement has generally been made that the hotels in New York were not moving north. Well, those of you who used to go to New York in the old days, will remember probably the Waldorf Astoria of blessed memory at the corner of 34th Street and Fifth Ave. That hotel has moved north, and it is now, I think, on Park Ave., somewhere in the vicinity of 50th street. There has been a decided movement of the better class hotels from the lower district around 34th Street and 42nd Street, up to the vicinity of 57th Street and 53rd Street, and north thereof; and I am unable to agree—I can recognize that no doubt the Chairman is speaking from his knowledge—well, I am speaking from mine—I am not prepared to admit that the proper place for an uptown ticket office, is in the vicinity of the Grand Central station, and furthermore, the Union Pacific, the Northern Pacific, the Great Northern Railway, and a number of important railways have established offices on Fifth Ave., and have done precisely the same thing as the Canadian National Railways have done.

The CHAIRMAN: Well, we will leave it at that.

Hon. Mr. EULER: Your opinion ought to be worth something.

Mr. MacMILLAN: I should like to ask you something about the over-lease. You say it cost you \$15,000? Do I understand by that that that is what it cost to get occupancy of the building?

The CHAIRMAN: Yes.

Mr. FAIRWEATHER: It might be put that way. The over-lease had a market value.

Mr. GEARY: That was the premium.

Mr. FAIRWEATHER: The premium paid.

Hon. Mr. CHAPLIN: You amortized that?

Mr. FAIRWEATHER: We amortized that over a period of the lease?

Sir HENRY THORNTON: I should like to call your attention to what I said in the course of my previous remarks. This office is not only used for the purpose of selling tickets, it is used for the purpose of advertising Canada as a whole, and promoting the establishment of industries in Canada, and I told you that 79, I think it was, industries through the establishment of this office, had located in Canada.

Mr. BEAUBIEN: Would this be a fair question to put to you, taking into consideration the fact that we are now in the midst of a depression, the amount of business you did in 1931 is equal to the amount of business you did in 1930? Am I right?

Sir HENRY THORNTON: The business we did in 1931 was \$502,000.—I am giving you round figures—in 1930 it was \$520,000, and in 1929 it was \$435,000.

Mr. BEAUBIEN: Would it be fair to put it this way. Owing to the business depression, and the decrease of your business all over the railway system, compared with the amount of business you did in New York, would prove beyond any question of doubt that you had increased the business in that New York office?

Sir HENRY THORNTON: I think so; that is my judgment.

Mr. GEARY: Can you give me a comparison of the lease costs, where you are now, and the leasing cost or the property costs of the building you formerly occupied? As I understand it, the \$102,000 includes rent and building expenses and taxes. What was your rent and building expenses and taxes in the other place?

Mr. FAIRWEATHER: The rent at 505 Fifth Ave. was \$55,000, and it included taxes and things of that character.

The CHAIRMAN: Light and heat?

Mr. FAIRWEATHER: I do not think it would include light or anything of that character. The figures that are really comparable to that at 673 Fifth Ave. at the present time are \$58,800 for rent, \$8,836 for amortization, and taxes, \$28,407. Now, it is perhaps fair to point out that after 1934 the rental of \$58,000 will drop down to a figure of \$50,000, and further to the extent we succeed in leasing the office space which we do not need. You see, at the present time, we are receiving \$32,000 from rentals of the space which we do not use.

Mr. GEARY: At 673?

Mr. FAIRWEATHER: At 673, and the net rental is \$58,800. After 1934 our net rental will be \$40,000, less whatever we succeed in renting that space for. If we are able to rent for \$32,000 then the rental at 673 Fifth Ave. would become \$18,000 net, apart from the amortization of the leasehold. That would be another \$8,836.

Mr. MacMILLAN: You are paying for both.

Mr. FAIRWEATHER: No doubt we are paying for 505 Fifth Ave.

Hon. Mr. CHAPLIN: What were the salaries and expenses in the old building?

Mr. FAIRWEATHER: They would be the same as they are at 673—I cannot tell you exactly; it would be within measuring distance.

Sir HENRY THORNTON: Approximately the same.

Mr. DUFF: What is the percentage of your decrease in the sale of tickets for passengers in 1931 as compared with 1929?

Mr. FAIRWEATHER: I would say offhand somewhere around 30 per cent.

Sir HENRY THORNTON: You speak of the railway as a whole?

Mr. FAIRWEATHER: As a whole.

Mr. DUFF: As a whole, yes.

Mr. FAIRWEATHER: About 30 per cent.

Sir HENRY THORNTON: Thirty per cent?

Mr. DUFF: A decrease of 30 per cent more this year than in 1929.

Sir HENRY THORNTON: Yes.

Mr. DUFF: It would be fair to say if we had no depression the increase over the business done last year would be 30 per cent.

Sir HENRY THORNTON: Well, those figures show progressive increases. For instance, take 1928 or take 1929. The gross sales moved from \$435,000 to \$520,000, or a little less than \$100,000,—roughly 18 per cent. Now, it is reasonable to suppose that if there had been no depression certainly we would have had that continued increase and I think a good deal more.

Mr. DUFF: An increase of at least 50 per cent.

Sir HENRY THORNTON: Well, that is a matter of opinion. You cannot say what it would have been but it would have been substantial.

Hon. Mr. EULER: Sir Henry, is this true, that if you are successful in leasing the upper floors of this building at 673 the net cost of your present premises would be less than the ones from which you moved?

Sir HENRY THORNTON: Yes, unquestionably, and materially so.

Mr. MACMILLAN: Mr. Chairman, did I understand Sir Henry to say that prior to the time they moved into those buildings the railways in New York were occupying upper stories?

Sir HENRY THORNTON: I think I am perfectly safe in saying this, that at the time we moved onto Fifth Avenue, at 505, there was no American railway which had an office on Fifth Avenue above 32nd Street on the ground floor, and we had not been in that location more than six months before a number of important railways, like the Great Northern and the Northern Pacific, that I happen to think of, immediately followed suit and did the same thing.

Mr. MACMILLAN: Do you suppose it was because you inaugurated that ground floor policy that they did that?

Sir HENRY THORNTON: I think they saw and appreciated the wisdom of our policy and imitated it.

The CHAIRMAN: Sir Henry, none of those premises was occupied by the freight traffic department, they had separate quarters in the Woolworth Building.

Sir HENRY THORNTON: That is true.

The CHAIRMAN: And that is true to-day?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: So that it is to be borne in mind that this is a passenger proposition pure and simple.

Sir HENRY THORNTON: A passenger and industrial proposition.

The CHAIRMAN: It is only fair to add that. Now, when you took this building were the ground floors now occupied by the railway occupied by tenants?

Sir HENRY THORNTON: The ground floor, yes. I think the ground floor, as I recall it, was occupied by some sort of a dress goods concern.

The CHAIRMAN: Now, what arrangement was made with them because the answer to No. 1 states, I think, rather explicitly that nothing was paid to anyone for giving up occupation of 673 Fifth Avenue.

Sir HENRY THORNTON: Well, they quit.

The CHAIRMAN: Were their leases up?

Mr. FAIRWEATHER: We bought the over-lease.

The CHAIRMAN: That has been explained to us as the premium you paid to get the lease of the building, subject to existing leases, I suppose?

Mr. FAIRWEATHER: We also bought the sub-lease.

The CHAIRMAN: You bought the sub-lease too. Then some compensation must have been given to those tenants on the ground floor?

Mr. FAIRWEATHER: No, sir.

The CHAIRMAN: Then I don't understand it.

Mr. FAIRWEATHER: The situation was simply this, that we negotiated the sub-lease for the period ending 1934 at a rental of \$85,000 per year. The occupant of the building was the holder of the lease and he just simply vacated.

The CHAIRMAN: Well, you paid him a premium then in that \$85,000?

Mr. FAIRWEATHER: Yes, in the \$85,000.

The CHAIRMAN: So he did get compensation for vacating the occupancy, somebody did.

Sir HENRY THORNTON: Those are the facts as set forth in the memorandum.

Mr. GEARY: You can get that easily enough,—was he the owner, the occupant?

The CHAIRMAN: No, he was not the owner of the building. There was a lease for a period which runs out in 1934, and they took a lease in addition to that which they call an over-lease. I would call it a reversion, for a period of years—at a premium of \$215,000, and the two together—

Mr. FAIRWEATHER: The \$85,000, of course, entitled us to the occupancy.

The CHAIRMAN: That is what you paid for the occupancy, \$85,000 for the immediate possession?

Mr. GEARY: That is what you agreed to pay.

Mr. FAIRWEATHER: Yes.

The CHAIRMAN: That was a premium. There was a premium in that, was there not?

Sir HENRY THORNTON: I presume there was.

The CHAIRMAN: You bought his lease at an enhanced rental?

Sir HENRY THORNTON: Yes.

The CHAIRMAN: And he made a profit.

Sir HENRY THORNTON: And that represented at that time what was considered to be, by real estate experts, a fair value, in fact, a reasonable value for that particular leasehold, because in New York,—and possibly other cities as well,—but in New York as we have tried to explain,—there is a business of dealing in long term leases and leaseholds, and those leaseholds have a value.

Mr. MACMILLAN: Mr. Chairman, in regard to the architect who remodelled those buildings—I forget the name.

Sir HENRY THORNTON: Warren & Whetmore..

Mr. MACMILLAN: Well, Mr. Archibald had nothing to do with it at all.

Sir HENRY THORNTON: No, Mr. Archibald had nothing to do with it at all.

Mr. MACMILLAN: That is a New York concern?

Sir HENRY THORNTON: Yes, that is.

Mr. GEARY: Sir Henry, what offices have you in London, England?

Sir HENRY THORNTON: We inherited the old Grand Trunk offices on Cockspur Street, almost right across from the Carlton Hotel. Those offices had been the

offices of the Grand Trunk Railway for a great many years and when the Canadian National Railways acquired the Grand Trunk, or the Government acquired the Grand Trunk, it also acquired that property.

Mr. GEARY: You carry on there, do you?

Sir HENRY THORNTON: Yes.

Mr. GEARY: That is ground floor, is it?

Sir HENRY THORNTON: That is a ground floor. And I think the building must be, as I recall it, four or five stories high, at least that. There are some other tenants in the building, but I don't know offhand who they are.

Mr. MACMILLAN: Do you know what rent you pay there?

Sir HENRY THORNTON: No, but I could easily find out. We own the building. The Grand Trunk owned that building; I rather think they built the building, but that was a long time ago and I don't remember.

Mr. GEARY: Aside from the hotel development up towards the park, is there a ticket office development up that way? I have in mind that Cockspur Street is pretty much all transportation, at least very largely shipping.

Sir HENRY THORNTON: Well, I don't know offhand Colonel, whether there are any other railways quite as far North as 53rd Street or not, but certainly there is a very important hotel development which has taken place. Incidentally a good many of those hotels are suffering just the same as other concerns are in these days.

Mr. MACMILLAN: Mr. Chairman, I would like to ask, what are the annual rentals of offices occupied by the Canadian National Railways in Boston, Detroit, Buffalo, Pittsburg and Chicago in the years 1928, 1929, 1930 and 1931.

Sir HENRY THORNTON: I have not got the information at hand, Mr. MacMillan but we can get it for you if you would like to have it.

Mr. MACMILLAN: Do you still occupy the Scribe Hotel in Paris?

Sir HENRY THORNTON: No.

Mr. MACMILLAN: What rental do you pay?

Sir HENRY THORNTON: None at all. We get our offices free,—free of all taxes and insurance and everything else except, I think, light. Do you want the answer to those other questions, Mr. MacMillan?

Mr. MACMILLAN: Yes, I would like to know what rentals you pay in Boston, Buffalo, Detroit, Pittsburgh, Philadelphia, Minneapolis, Los Angeles, Chicago and Portland.

Sir HENRY THORNTON: You mean for passenger and freight or what?

Mr. MACMILLAN: Both.

Sir HENRY THORNTON: You want the rental that we pay for offices in those various places?

Mr. MACMILLAN: Yes.

Sir HENRY THORNTON: We haven't it at hand but we can get it.

The CHAIRMAN: Mr. MacMillan would you include in that all the offices in the United States?

Mr. MACMILLAN: That would be all right.

Sir HENRY THORNTON: That is a fairly big undertaking, but we can get it for you.

The CHAIRMAN: How many offices in the United States have you?

Sir HENRY THORNTON: Perhaps Mr. Burnap can answer that question better than I.

Mr. BURNAP: We have passenger offices in Pittsburgh, St. Louis—

Sir HENRY THORNTON: We have got it here.

Mr. BURNAP: Boston, Buffalo, Chicago, Cincinnati, Cleveland—

Sir HENRY THORNTON: Cleveland has been closed.

Mr. BURNAP: Cleveland was closed March 1st. This is 1930-31. Pittsburgh, Detroit, Duluth, Los Angeles, Minneapolis, New York, Philadelphia, Portland, St. Paul, San Francisco, Seattle, Washington, D.C. I might say as regards Washington, D.C., our lease expired on May 1st and we abandoned the office and moved into a building right nearby where we pay a rental of \$125 a month. We paid about \$8,800 where we were.

Sir HENRY THORNTON: Per year?

Mr. BURNAP: Per year. We are saving about \$7,300 in Washington. Every time a lease is about to expire the situation is reviewed to determine the advisability of continuing the office. Real estate all over the United States is a drug on the market. You have only to go up Fifth Avenue instead of to a mausoleum.

The CHAIRMAN: What was your business in Washington last year?

Hon. Mr. MANION: Might I suggest, just as a thought to the Committee, would it not be well to get from the company the gross cost, without going into all the details, of each office in the United States, and the gross receipts, that is, directly from each office. I think that would cover the whole ground. I mean, the Committee, if they wish to make any report about it, would be in a position to offer any suggestion or make any recommendation in that connection.

Hon. Mr. CHAPLIN: Well, Mr. Chairman, I think it is just as easy to give the particulars that go to make up the gross so that you can see and understand what it means.

Sir HENRY THORNTON: We are glad to give the Committee anything they want.

Hon. Mr. EULER: I think Sir Henry made a rather startling statement, that in connection with one of those offices in some city or other they were getting it rent free. Where is that?

The CHAIRMAN: That is the Hotel Scribe.

Sir HENRY THORNTON: That was in connection with the property which we acquired in Paris and that was leased to the Hotel Scribe. One of the terms of the lease was that we were to rent free of charge such office space on the ground floor as was necessary for our purpose.

Hon. Mr. EULER: That was rather a good deal then.

The CHAIRMAN: I would like to have the whole story.

Hon. Mr. CHAPLIN: I would like to know how much business comes out of that office.

The CHAIRMAN: It is rather an old story, the Hotel Scribe.

Hon. Mr. CHAPLIN: I would like to get the full information before I judge.

Sir HENRY THORNTON: I would like to ask, if I may, what questions you want me to answer or just what information you want. There have been a number of suggestions made and I am a little at sea as to just what information you want produced about those off-line offices.

Hon. Mr. CHAPLIN: Have the Canadian National Railways any other central offices in Europe other than in London and in Paris?

Sir HENRY THORNTON: No.

Hon. Mr. CHAPLIN: I would like to know what the railways received on freight first, and passenger business next, from this Paris office.

Sir HENRY THORNTON: We will give that to you.

The CHAIRMAN: And the United States offices.

Mr. MACMILLAN: I wonder if I could be told if the Railway Company are still operating a colonization department with agents scattered over Europe.

Sir HENRY THORNTON: No, that has been very materially reduced. The situation, Mr. MacMillan, is this: Due to the depression and the desire—and I think I may say the quite proper desire of the Government—that immigration should not be encouraged to the extent of bringing people into this country that we cannot feed and who cannot find gainful occupation—for that reason and for, as I have said before, the general state of depression, the immigration movement to this country has very considerably fallen off both in respect to the Canadian National Railways and the Canadian Pacific Railway, and as a result of that we have reduced our colonization and immigration department activities in Europe pretty nearly to the vanishing point.

Mr. MACMILLAN: What is that?

Sir HENRY THORNTON: We have reduced our immigration and colonization activities in England to what you might call more or less a skeleton, and the possibilities are that in view of the continued depression we will make still further reduction; in fact, I am quite certain we will.

Mr. MACMILLAN: You mean all of Europe?

Sir HENRY THORNTON: I am speaking of all of Europe.

Mr. MACMILLAN: How many men have you employed over there in that work now?

Mr. FAIRWEATHER: The total number on the payroll of this department at the end of 1931 was 78. That was in all countries, including Canada, the United States and Europe.

Mr. MACMILLAN: How many would there be in Europe?

Mr. FAIRWEATHER: I would have to look that up, Mr. MacMillan.

Mr. MACMILLAN: Would that number be the same last year?

Mr. FAIRWEATHER: Oh, no. It was 143 in the previous year.

Mr. POWER: What are those who are employed in Canada doing?

Mr. FAIRWEATHER: I have quite an interesting report on the activities of this department if you want to hear it.

The CHAIRMAN: Have we finished with the other? The Committee has the habit of jumping from one thing to another. I am not objecting to it at all. Have we finished with the question relating to those off-line offices, so to speak?

Mr. GEARY: You have been asked, Sir Henry, for information as to the Detroit office, and Chicago. You ran what was formerly the Grand Trunk.

Sir HENRY THORNTON: Grand Trunk Western.

Mr. GEARY: You have to have offices in Detroit?

Sir HENRY THORNTON: Yes, we have.

Mr. GEARY: And similarly in Chicago?

Sir HENRY THORNTON: Yes, we have.

Hon. Mr. MANION: May I just say one word and, I am doing this without any desire to criticize in any way. The reason I ask for the total gross from those American offices, both earnings and costs, is this: that after giving a good deal of attention to this question it struck me very forcibly that not only the Canadian National but other roads have been spending far too much upon passenger services and neglecting the really paying branch of the service, which is the freight. I say that because I had a statement, and I put it on record, from the officers showing that they lost in 1926 on all passenger business alone \$4,000,000; and in 1931, \$24,000,000. I am giving round figures.

Mr. McGIBBON: In that loss do you include the express which was carried?

Hon. Mr. MANION: No, the total passenger service. I really don't know what it includes but they gave it to me as a report of the total passenger losses.

Sir HENRY THORNTON: That would be passenger business strictly. It would not include express.

Hon. Mr. MANION: Absolutely; it would not include express.

Mr. GEARY: They charge for space on the train.

Hon. Mr. MANION: I mentioned it because I believe that if the committee comes to the same conclusion as I have come to there must be a very constructive suggestion to go from this committee with regard to that matter.

Hon. Mr. EULER: The Minister made the statement that he thinks too much has been spent on the development of the passenger traffic and on these offices. Now, he may be perfectly right about that. I have always understood that passenger business was not a paying business; but you coupled with that the statement that they were neglecting the other branch of their business which, I suppose, means the freight business. Does that necessarily follow?

Hon. Mr. MANION: I did not mean it as my friend says. I did not mean they were neglecting the freight business, but they were emphasizing, for earning purposes, the passenger traffic. I say there are other railways as well as this, and I am not criticizing; I am pointing out what has appeared to me to be true; and when I speak of passenger services I do not mean only these offices, but the other things that come into the consideration, because we have been criticizing such things as hotels, radio, steamships and so on. They all come into the consideration, not only by this railway, but by others. Now, with regard to passenger traffic, it is the non-paying, continuously non-paying, increasingly non-paying branch of the railway business. That is one observation I have made, and I think it is absolutely correct and can be borne out by the figures.

Hon. Mr. EULER: I am not finding any fault with that. The only point I find fault with is that it is not fair to assume that if this is overdone—I do not know whether it is or not—is it fair to say that the other branch of the business, the freight business is neglected. You used that word.

Hon. Mr. MANION: I will answer that question. I think it has been, and I will tell you how. It is only this present year that either of these two great railway systems in the Dominion of Canada seems to have awakened to the fact at all that what was wrecking their passenger business and wrecking to a certain extent their freight business was the motor trucks and motor busses. Now, it seems to me, and I say this after a lot of thought, that both great systems have been more or less asleep at the switch for the past eight, nine or ten years so far as dealing with competition both for passenger and freight business offered by the motor busses and motor trucks. I think both railways should have—I am not saying this with any desire to criticize, but it is a point that has struck me very forcibly—I think the two great railway systems for the past ten years, seeing that these motor busses and motor trucks were creeping in very gradually on their business as they have done to a very considerable extent, should have been working up much sooner than they began some form of propaganda, if you will, as well as some program for combatting the motor bus and motor truck competition. That, I think, constitutes more or less of an answer. I did not mean to mention freight in any critical spirit at all; I was simply thinking that if they had put the energy into the freight service that they have put into the passenger service which has been increasingly and continuously losing, it would be better for the railways.

Mr. GEARY: Do you remember the operating ratio of passenger and freight service for 1931?

Hon. Mr. MANION: No, but I say from the figures I have given, that in 1926 the total passenger losses, from figures given by the Canadian National, were \$4,000,000, and increasingly they have gone up every year until last year they were \$24,000,000—a little less than \$24,000,000—between \$23,000,000 and \$24,000,000.

Mr. GEARY: I haven't the least doubt you are right.

Mr. DUFF: Talking about the passenger service, we were told yesterday, I think it was, that by running these excursion trains from Ottawa to Montreal and by getting what I may term full trains or full carloads of passengers, the railway was able to make money although they reduced the rates 25 per cent. Now—

Hon. Mr. MANION: May I interrupt you; not 25 per cent, but 75 per cent.

Mr. DUFF: They were making money by getting trainloads of passengers. Now, it seems to me that if that statement is true, and in view of the fact that we have got to have passenger trains all over Canada in operation every day, it seems to me it would not be good business for the railway not to do everything possible to encourage the getting of more passengers. If you are going to cut out all the money expended in endeavouring to get passengers then the situation will be a great deal worse than it is to-day.

Hon. Mr. EULER: Suppose we admit that we lose money on the passenger traffic, we have to run passenger trains in any case—I do not suppose we can get away from that—if we do not make some effort to get more passenger traffic, would not our losses be increased?

Mr. DUFF: That is what I say.

Sir HENRY THORNTON: That is not an easy question to answer. If business begins to fall off you redouble your efforts to retain what you have got and to get more. Now, as I said at a previous meeting of this Committee, we have only got to the point—and I am afraid we are approaching it now—where no matter how you redouble your efforts there is no more business to be had. That is you are chasing what might be described as a mechanical rabbit. The maximum earnings from passenger trains as they are maintained, as I said, come from filling these trains. That is the basis of the whole thing. At the Liverpool street station in England, when I left there, we were handling 250,000 passengers a day in and out of that station. They were concentrated in the hours from about half-past seven to half-past nine and in the evening from something like half-past four to half-past six. Many of those passengers were carried at a ridiculous rate per passenger mile. Some passengers, as I recall it, were carried at something like ten miles for what would be tuppence half-penny or practically 5 cents; and yet that was not an unprofitable business because the trains were packed full of people, every compartment was full, and, in fact, not only full as regards seating capacity but passengers were standing in those compartments and we made money on it at those very low rates. So that the fundamental principle of making money out of your passenger business is filling the trains. Now, that is the reason why suburban passenger business, where you get it in large chunks as you do on the Long Island railroad around New York and the Delaware, Lackawanna and Western or the Erie railway, or the Great Eastern railway in England—that is the reason that the Metropolitan passenger business is so profitable. They have no de luxe trains, no dining cars, no parlour cars; they simply open the train and the passengers get in and fill it to the brim and then the trains pulls off to destination. That is the secret of making money out of passenger business.

Hon. Mr. MANION: May I ask a question. I am trying to be constructive for the Committee. That is why I mention these facts; I wish to be constructive to the Committee and to the railway. In view of the fact that the

losses from 1926 to 1931 inclusive increased every year in spite of large expenditures on passenger traffic, has it not got to the stage where both railways—because I presume the same condition would apply to the Canadian Pacific—has it not got to the stage where both railways should seriously get together with the idea that they would cut out anything in the shape of luxurious passenger service, or, at least, stop increasing luxurious passenger service, with the object of bringing up the earnings to meet the expenses?

Sir HENRY THORNTON: I think that is a perfectly sound statement and one with which no intelligent railway officer would differ. As a matter of fact, both railways have done that to a very measurable extent in reducing the number of passenger train miles. The statement was presented to this Committee and it was shown that we had taken off something like 4,000,000 train miles. Undoubtedly what the Minister has said is constructive and ought to attract the attention of intelligent railway officers, and is attracting their attention. Now, let me go to another point. Much of his is bound up in the question of competition which Mr. Euler and one or two other members of the committee referred to the other day, that your competitor does largely determine what you do yourself, and what you do yourself largely determines what your competitor does; but certainly if there were some pool, and it has been suggested—the general pooling of all passenger receipts, why we could unquestionably get rid of a great deal of these competitive implements which we now employ. There is no question about that. And that is one of the fruits which come from, we will say, amalgamation or near amalgamation or co-operation or any of those things that we may choose to call an effort towards reduction in unnecessary expenses.

Mr. DUFF: Would you say that your losses would be greater if you did not spend as much money endeavouring to get passenger traffic?

Sir HENRY THORNTON: Well, that is a pretty hard question to answer, Mr. Duff.

Mr. DUFF: I know it is.

Sir HENRY THORNTON: Certainly, the passenger business on every trans-continental railway is unprofitable; the long distance traffic is unprofitable; but you must not forget that in certain instances, in fact to a very material degree, the freight business is more or less involved with the passenger business. You cannot say entirely that the efforts that you make in the direction of getting passengers have no affect on freight, because they have. In other words, the prospective passenger to-day may be the prospective shipper to-morrow.

Mr. DUFF: You are spending a sum of money and endeavouring to get extra passenger traffic, and the question I asked you was this: If you do not spend as much money as you are to-day spending would you say that your losses on your passenger service would be greater?

Sir HENRY THORNTON: We would not get as much business, but unquestionably there would be a loss.

Hon. Mr. MANION: That is not true as far as big capital expenditures go, such as hotels and ships—such passenger accoutrements as hotels and ships, because this is an operating loss, not taking into account anything in the shape of interest or depreciation.

Mr. DUFF: The more passengers you have, the more business you have for your hotels and ships.

Hon. Mr. MANION: Apparently, the more passengers you have the greater your loss.

Sir HENRY THORNTON: I think you have also to consider the hotels of the Canadian National and the Canadian Pacific as part of the implements which attract this large tourist business to Canada. Certainly if the C.P.R. had no hotels and if we had no hotels there would be a material loss of business to the people of Canada. Now, I have said before to this committee that I would be delighted if we did not have a single hotel on this railroad, and I am not so sure that the Canadian Pacific does not feel the same way too; but we have both got into this jackpot and the only thing to do, as has been pointed out by certain members of the committee, is to try to co-operate, to co-ordinate our efforts so as to use what we have got to the maximum with the minimum of expense.

Mr. McGIBBON: I was going to ask Sir Henry if he would be good enough to give me some figures. I would like the ratio between operating profit and the interest on the debt we owe to the public—not the Government—for the last ten years.

Mr. STEWART: I asked that question on page 196, according to the evidence.

Mr. DUFF: Would the officials be good enough to get for us the quantity of coal purchased from the Maritime Province mines, from the different companies, and the quantity from each company in the year 1931; that is to say, on the eastern division. I would also like the quantity purchased for this year's requirements.

Sir HENRY THORNTON: It would have to be the probable quantity to be purchased this year, because we do not know exactly what we will buy this year until the year is out.

Mr. DUFF: Yes, the mines, and the probable quantity.

Sir HENRY THORNTON: By mines?

Mr. DUFF: Yes, by mines, last year and this year.

Mr. GEARY: Are you running that mine in Pennsylvania?

Sir HENRY THORNTON: No, south eastern Ohio. Just at the moment they are all out on strike.

The committee adjourned to meet Thursday, May 12, at 11 o'clock.

HOUSE OF COMMONS, ROOM 231,

MAY 12, 1932.

The Select Standing Committee on Railways and Shipping met at 11 o'clock a.m. Mr. Hanson presiding.

The CHAIRMAN: Sir Henry, have you any more information ready for the committee? We ought to dispose of all the questions.

Mr. FAIRWEATHER: A question was asked by Mr. MacMillan on Wednesday, May 11, 1932.

Rentals paid for Freight and Passenger offices, separately in the United States—(presumably off-line offices, and for years 1930 and 1931).

Answer:

FREIGHT OFFICES

Location	Yearly Rental	
	1930	1931
Birmingham, Ala..	\$ 390 00	\$ 495
Boston, Mass..	9,978 16	9,611
Buffalo, N.Y..	5,400 00	5,400
Cleveland, Ohio..	1,656 00	1,656
Cincinnati, Ohio..	4,200 00	4,200
Duluth, Minn. (Frt. and Pass.)..	3,600 00	3,600

The CHAIRMAN: I thought we were asking not only for the yearly rental but for the cost of operating.

Mr. FAIRWEATHER: There are two questions. We are getting the information that Mr. McGibbon asked for. We can only give that information for nine years, and we took the liberty of changing it to that extent.

Mr. MCGIBBON: That is alright.

Kansas City, Mo..	\$ 1,158 00	\$ 1,193 00
Los Angeles, Cal..	1,500 00	1,500 00
Memphis, Tenn..	750 00	731 25
New Haven, Conn..	1,350 00	1,350 00
New York, N.Y..	14,000 00	14,000 00
Omaha, Nebr..	1,259 39	1,293 46
Philadelphia, Pa..	1,650 00	1,800 00
Portland, Ore..	600 00	600 00
Pittsburgh, Pa..	1,650 00	1,650 00
St. Louis, Mo..	1,836 00	1,836 00
St. Paul, Minn..	1,395 00	1,860 00
San Francisco, Cal..	4,725 00	2,635 00
Seattle, Wash..	3,409 60	3,765 80
Toledo, Ohio..	1,320 00	1,320 00
Tulsa, Okla..	780 00	780 00

SELECT STANDING COMMITTEE

PASSENGER OFFICES		
Boston, Mass..	\$36,613 29	\$36,973 37
Buffalo, N.Y..	15,000 00	15,000 00
Chicago, Ill..	50,000 00	54,166 71
Cincinnati, Ohio.. . . .	1,470 00	1,470 00
Cleveland, Ohio.. . . .	1,020 00	1,020 00
Detroit, Mich..	21,300 00	21,300 00
Duluth, Minn. (shown in Freight list).		

	Yearly Rental	
	1930	1931
Kansas City, Mo..	\$ 762 00	\$ 710 80
Los Angeles, Cal..	7,140 00	8,400 00
Minneapolis, Minn.. . . .	3,765 00	5,100 00
New York, N.Y..	(Submitted May 11th)	
Philadelphia, Pa..	24,999 96	27,083 29
Portland, Ore..	2,400 00	2,400 00
St. Louis, Mo..	612 00	612 00
St. Paul, Minn..	1,395 00	1,860 00
San Francisco, Cal.. . . .	5,775 00	4,565 00
Seattle, Wash..	5,114 40	4,186 20
Washington, D.C..	5,360 00	6,110 00

(NOTE.—Chicago and Detroit “Passenger” Offices are “On-Line” offices.)
OTTAWA, May 12, 1932.

By Dr. McGibbon:

Question: The ratio between operating profit and the interest on the debt we owe to the public—not the Government—for the last nine years?

Answer:

CANADIAN NATIONAL RYS. (EXCLUDING EASTERN LINES)

Year	Operating Ratio	Per Cent	Per Cent
		Net Rly. Rev. Available for Int. due Public	Net Income Available for Int. due Public
1923..	91·7	60·2	38·5
1924..	92·5	46·8	38·5
1925..	86·7	81·9	75·2
1926..	82·5	120·9	106·1
1927..	83·5	106·8	94·6
1928..	78·9	140·1	117·2
1929..	86·5	99·5	80·4
1930..	88·0	52·0	42·6
1931..	95·7	13·7	5·4

Now I would like to explain that we are in a little quandary as to how to answer Dr. McGibbon’s question, because according to our definition, operating profit is defined usually as net revenue from railway operations, and that is the figure which we have set up here. However, as possibly being more illustrative we also give the figure of net income available for interest due the public so that both figures are available—first, the net revenue for railway operations in its percentage to the interest charges due the public; and second, the net income available for interest charges in relation to the interest to the public.

Mr. MACMILLAN: What was the net income last year?

Mr. FAIRWEATHER: The net revenue from railway operations in 1931 was \$7,585,729; net income available for fixed charges \$2,969,470.

Hon. Mr. MANION: Does that include Eastern Lines?

Mr. FAIRWEATHER: No sir; that does not.

Mr. McGIBBON: What I had in mind was this: I asked the Bureau of Statistics some time ago to give me the figures, and in 1923 the ratio was 20.1, 1924, the ratio was 70.2, 1925 the ratio was 17.7, 1926 the ratio was 19.5, 1927, the ratio was 19.4, 1928 the ratio was 31.8, 1929 the ratio was 18.9, 1930 the ratio was 15.0; which shows that the more money we have been spending the worse our ratio has got.

Mr. FAIRWEATHER: I am sorry, sir, unless I had the details of those figures I could not speak with regard to them.

Mr. McGIBBON: That would indicate that the more money we have been putting into the railways the worse they have got.

Mr. FAIRWEATHER: But, sir, we are totally at cross-purposes. I am extremely sorry—the question that I understood you to ask was for the ratio between operating profit and the interest due to the public. The percentages which the Bureau of Statistics have furnished you are the percentages of gross revenue to total investment. It is a totally different figure.

Mr. McGIBBON: The point is that the more money we have been putting in the worse the ratio has been getting.

Mr. FAIRWEATHER: The percentages that are stated here are the percentages of gross earnings to the total funded debt due the public on investments in Canadian government railways.

Mr. KENNEDY: For what year?

Mr. FAIRWEATHER: For the years 1923 to 1930.

By Dr. McGibbon:

Question: The ratio between operating profit and the interest on the debt we owe to the public—not the Government—for the last nine years?

Answer:

CANADIAN NATIONAL RAILWAYS

(Excludes Eastern Lines)

Year	% Net Rly. Revenue of Interest due Public	% Net Income Available for Interest of Interest due Public
1923..	60.2..	38.5
1924..	46.8..	38.5
1925..	81.9..	75.2
1926..	120.9..	106.1
1927..	106.8..	94.6
1928..	140.1..	117.2
1929..	99.5..	80.4
1930..	52.0..	42.6
1931..	13.7..	5.4

CANADIAN NATIONAL RAILWAYS

(All Inclusive System)

1922..	13.5..	3.5
1923..	62.1..	36.6
1924..	49.0..	37.2
1925..	83.6..	73.8
1926..	123.6..	105.6
1927..	102.9..	86.5
1928..	133.6..	107.6
1929..	96.0..	73.5
1930..	43.2..	30.8
1931..	2.1..	9.5

Mr. MACMILLAN: I think what Dr. McGibbon is trying to get at is that these figures show, according to Dr. McGibbon and according to the Bureau of Statistics, that the more money we put into the thing the higher your operating ratio is.

Mr. FAIRWEATHER: No. There is no mention of operating ratio here.

Mr. MACMILLAN: Well, operating revenue.

Mr. FAIRWEATHER: Yes, operating revenue.

Mr. MCGIBBON: The relation between your gross operating profits and interest on the debt to the public.

Mr. FAIRWEATHER: There is no gross operating profit here; it is the gross revenue; but before you can draw a financial picture you have to take the operating expenses into account.

Mr. MCGIBBON: Which makes it worse.

Mr. FAIRWEATHER: No. Now, the record of the Canadian National Railways from 1923 to date has been a record of increasing operating efficiency every year.

Mr. MCGIBBON: I may be wrong, but what I deducted from this is that the more money we have been putting into the railroads the ratio between gross receipts and interest on money we owe to the public has been getting worse. I think I am correct in that deduction.

Mr. FAIRWEATHER: Of course, I think, sir, what you are getting at is the relative traffic density of the road, and that is quite another matter from the ratio of earnings, net earnings to fixed charges.

Mr. MCGIBBON: However, we can let that stand and you can give me the figures later.

Mr. FAIRWEATHER: In 1923 the percentage of net railway operating revenue to interest due the public was 60·2.

Mr. MCGIBBON: Does that include Eastern Lines?

Mr. FAIRWEATHER: That does not. I can give you figures—in 1923—these figures are for the Canadian National Railways system as officially set up under the statutes of Canada.

The CHAIRMAN: That certainly would include Eastern Lines.

Mr. FAIRWEATHER: In 1923 it did; in 1927 they were excluded. I have a separate statement containing all-inclusive figures.

The CHAIRMAN: Hand it in.

Hon. Mr. MANION: May I suggest in passing that it is very confusing that one time we get figures that refer only to lines outside the Eastern Lines and on another occasion the figures include those lines. I think it would be much better to include the whole system in one statement, because, after all, they come into the results.

Sir HENRY THORNTON: What happened in that case was that prior to 1927, if I recall correctly, our figures did include Eastern Lines. When the Maritime Freight Rates Act was passed those accounts were segregated, and certain arrangements were made first by the Government to meet certain reductions in operating charges. At that time there was a line of demarcation drawn between them. We have changed, I think, our method of reporting in the annual report the operations of the Eastern Lines as compared with the whole system twice—I think I am right in saying twice—at the suggestion of this committee.

The CHAIRMAN: I do not remember what was the reason why the Eastern Lines were set out at the time of the Maritime Freight Rates Act. I opposed it at that time. What was the real reason?

Sir HENRY THORNTON: Well, you see, in 1927, certain reductions were made with respect to freight rates in the Maritime provinces, and the Government undertook by suitable preliminary action to make up the difference in the previous freight rates and the present freight rates.

The CHAIRMAN: We know all about that.

Sir HENRY THORNTON: That introduced a new distributing element into the picture, and it was thought better—we thought it would present a better picture if the two were kept separate, but it can be done either way.

The CHAIRMAN: Can it be changed back without legislation? Because I have been in correspondence with the St. John Board of Trade about that matter; they are very interested.

Hon. Mr. MANION: I do not think it can. I have inquired about it, and according to the Maritime Freight Rates Act, we have to keep the 20 per cent reduction and the deficit as a separate piece of book-keeping. Now, the whole matter of freight rates on Eastern Lines, the deficit and the 20 per cent reduction is an item of my department, and not an item at all of the railways.

Sir EUGENE Fiset: A separate vote of the house has to be provided for every year, and it is subject to the Auditor General.

Mr. DUFF: I think, Mr. Chairman, the question goes back further than the Maritime Freight Rates Act. If I understand the matter correctly, what is known as the Intercolonial railway is still a Government-owned railway; it is not really under the Canadian National Railways.

The CHAIRMAN: So is the Transcontinental.

Mr. DUFF: And that is the reason why the account is kept separate. Under confederation the Intercolonial Railway was built for certain purposes by the Government and is still a Government-owned railway, and that is the reason why the two accounts are kept separate.

The CHAIRMAN: If that were so why did it not extend into Montreal; that was part of the Intercolonial?

Mr. DUFF: No; from Riviere du Loup. Separate rates were to be determined.

The CHAIRMAN: I understand what they did, but they did not take in the whole of the Intercolonial railway.

Hon. Mr. MANION: May I read clause 6 of the Maritime Freight Rates Act:—

For accounting purposes, but without affecting the management and operation of any of the eastern lines, the revenue and expenses of the eastern lines, including the deduction herein authorized which shall be borne by the eastern lines, shall be kept separately from all other accounts respecting the construction operations or management of the Canadian National Railways.

The point is that it is not only because they are owned by the Government—because the National Transcontinental is also owned by the Government and it runs away up to Winnipeg, and it is not kept separately except in the books of the company, and it is not brought in separately to the House; but according to the Maritime Freight Rates Act, the Eastern Lines' accounting must be brought in in a different way.

The CHAIRMAN: There is no doubt about the principle of the law; but there never was any reason why it should be; it was a purely arbitrary principle in this Act, and the cutting off at Diamond Junction and Levis was also a purely arbitrary thing.

Mr. DUFF: Let me make myself clear. If I understood it correctly, when the Bill was introduced in parliament in 1919, I think it was, the amalgamating

of the Canadian Northern and the Grand Trunk Pacific and some other lines, the Intercolonial railway was left out of that amalgamation because it was a Government road and for certain reasons was built for specific purposes. The Intercolonial railway was not included. It is true that the management of the Intercolonial railway was passed over to the Canadian National Railways, but it is not really a part of the Canadian National system, as far as ownership is concerned. That is my understanding.

The CHAIRMAN: That is right. You are quite correct.

Mr. CANTLEY: I want to point out this fact. There is a misconception or a misapprehension on the part of a great many people in regard to the Maritime Freight Rates Act. Now, what happened was this: When railway rates generally were raised in 1916, the ratio or increase on the eastern division was very much greater than it was on the other sections of the Canadian National Railways. There is no doubt about that. To partially remedy that, the Maritime Freight Rates Act was passed by the government. It did not cover the case at all; it only partially covered the case. We had what were called horizontal increases in the tariff. Now, if you go into that question, it is a complicated question I will admit, no changes have been made in regard to horizontal increases which mitigated against the eastern sections as much as 80 per cent as compared with the central portion of the road in Ontario. Now, these are conditions which still exist and the relief we got under the Maritime Freight Rates Act did not go 50 per cent to correct the injustice which was perpetrated on us in 1916 and which still continues without any amelioration so far as horizontal freight rates are concerned.

Hon. Mr. MANION: Do you mean to suggest that at the present the rates from the Maritime provinces into the central portions of Canada are higher than the rates for a like distance in some other portions of Canada?

Mr. CANTLEY: I do.

Hon. Mr. MANION: I will not agree with that.

Mr. CANTLEY: If you will be good enough to read the report of the Duncan Commission you will find what happened.

Hon. Mr. MANION: I have read the Duncan report.

Mr. CANTLEY: There is the question of horizontal rates—I do not know whether that has reference to it or not—but I know the facts. Now, there is the question referred to by parliament. The Maritime Freight Rates Act should apply as far as Montreal, Montreal being the gateway. That is where we in the Maritime provinces must meet the competition of Great Britain and the continent and other portions. Instead of that we are cut off in the woods, 200 or 300 miles away. That is the situation, and I want the committee to understand that that is the situation.

Hon. Mr. EULER: I think the statement made by Col. Cantley causes a good deal of surprise.

The CHAIRMAN: He has been making it for the last six years, the same statement.

Hon. Mr. EULER: I have not heard him make it before. That does not make any difference; I want to get at the fact. I understood him to say that the Maritimes are still paying freight rates that are higher than they are from Ontario points. Am I correct in that?

Mr. CANTLEY: That is true. Since the 1916 revision of the tariff.

Hon. Mr. EULER: Now, my information is that from points such as my own city it costs just as much to carry certain lines of goods from my city to Montreal as it does to carry them from points in the Maritime provinces, under the Maritime Freight Rates Act and the adjustments and reductions in the rates on the eastern division. If I am wrong I would like to know it.

Mr. CANTLEY: I would like to tell my friend another thing. We have a zone of 1,000 miles on which the same rates are applied, and we get no conditions. In Ontario you have 8 or 10 sections in a 1,000 miles. All those conditions are operating against us and they have operated against us.

Hon. Mr. EULER: What is the distance from Montreal to Moncton, 1,000 miles?

The CHAIRMAN: Oh, no.

Hon. Mr. MANION: There is certainly one misunderstanding, and I can give one instance where it is not true according to what Col. Cantley says. I happened to come up against the potato rate and I found that the distance from the head of the lakes to Toronto is about the same distance as from Halifax to Toronto or from New Brunswick to Toronto, and it is considerably longer from Prince Edward Island to Toronto, yet the rates from the Maritime Provinces are about half the rates from my city of Fort William to Toronto.

Sir EUGENE Fiset: I might mention the fact that in 1924 a deputation of the House of Commons, Liberals and Conservatives, approached the railway commission on potatoes to secure a special rate of 43 cents a bushel to 29 cents for the Maritime Provinces, creating a long haul zone to a point east of Riviere du Loup.

Hon. Mr. MANION: Mr. Burnap, the freight Vice President, is here and I would like to have Mr. Burnap answer that question.

Mr. POWER: I would like to inform the members of the committee that I have been briefed by the Quebec Board of Trade, and paid to present this question before the Board of Railway commissioners. It has been postponed several times, and I want to include Quebec in the Maritime zone. Col. Cantley says it does not do any good. I would like to include the city of Quebec in the Maritime zone. I am speaking now as a lawyer paid to do the job, and I will be quite willing to plead this before the committee.

Mr. McGIBBON: I do not believe we ought to go into this freight rate discussion.

The CHAIRMAN: I do not think so. I am, perhaps, as much to blame as anybody. I quite agree that I do not think we can do anything.

Hon. Mr. EULER: I would not like to have a wrong impression go out. Is it true that we in Ontario get a lower rate for similar distances than they get in the Maritime Provinces on anything whatsoever? Is it not true that we pay more. We have never kicked in Ontario about giving freight rates to the Maritime Provinces, and the province of Quebec and the province of Ontario pay most of it, but we have not raised any objection. However, I don't like any unfair statements to go out from this Committee.

The CHAIRMAN: We carry our fair share.

Hon. Mr. EULER: Mr. Chairman, I would like to ask whether we can get an answer to that question.

Mr. BURNAP: Mr. Euler has asked a blanket question and I don't object to it, but if I am going to give any testimony about freight rates from the Maritimes, or to the Maritimes on either class rates or commodity rates, I would like to answer it specifically and correctly by placing an exhibit on the file.

Hon. Mr. EULER: You might say something with regard to the matter generally.

Mr. BURNAP: I can say this generally, Mr. Euler, that the rates are reduced 20 per cent westbound from the Maritime Provinces, east of Diamond Junction and Levis, and when it comes to the eastbound rates there is no change made from western Canada into the Maritime Provinces, but if you want specific information

I don't want to take it out of my head, I want to take it out of the tariffs and give it to you correctly. In answer to a question that was asked I might say that the distance from Moncton to Montreal is 653.8 miles.

Hon. Mr. MANION: You might put on record rates for like distances, for the information of the Committee.

Mr. BEAUBIEN: I would like to inform Mr. Euler that as far as Western Canada is concerned we are discriminated against also.

The CHAIRMAN: If we get into this question of freight rates we are going to be sunk because nobody understands freight rates; they have just grown up like Topsy.

Mr. FAIRWEATHER: Mr. MacMillan asked a question:

Question: Did the President receive money in lieu of rent dating back from the meeting of the Board of Directors of the 23rd day of September 1929 up to the time that the house was secured by lease; also what the amount of money was?

Answer: An adjustment was made with the President in respect to rental as of the date of his present contract in accordance with the resolution of the Board of Directors, September 23, 1929, and the minutes of the meeting of the Executive Committee, March 24, 1930.

Amount refunded \$5,000 for 10 months October 1, 1929, to July 31, 1930.

Mr. MACMILLAN: Mr. Chairman, just on that point, I would like to have the Minute of the Meeting of the 23rd September, 1929, read.

Mr. POWER: Mr. Chairman, are these already in the record?

The CHAIRMAN: They are in the record now. I cannot give you the page but it is here. What date was that, Mr. MacMillan?

Mr. MACMILLAN: 23rd September, 1929, Board of Directors Meeting.

The CHAIRMAN: On the 23rd September, 1929, the Board of Directors passed a resolution authorizing the leasing of a suitable residence. Shall I read it?

Mr. POWER: Isn't it already in the record?

The CHAIRMAN: It is in the record. The Board of Directors on September 23, 1929, passed this resolution:

Resolved that in the matter of the leasing of a suitable residence for the use of the Chairman and President of the company in Montreal, the resolution adopted by the Executive Committee in this respect at its meeting of September 17 is approved, and the Committee is hereby authorized to lease a suitable and properly equipped residence for the use of the Chairman and President of the company under such terms and conditions as the Committee may subsequently deem proper.

That, I think, refers to the Executive Committee.

Mr. MACMILLAN: Does that include a retroactive feature?

The CHAIRMAN: No.

Sir HENRY THORNTON: In that connection there was the resolution passed by the Executive Committee of the Directors on March 24, 1930, which has already been given, and which reads as follows:—

The President then left the meeting and reference was made to the resolution of the Directors passed on September 23, 1929, regarding the provision of an official residence for the President and to the unsuccessful efforts made to secure one.

It was decided that in order to carry out the intention of the directors as from the date of such resolution an adjustment should, when the residence was purchased, be made with the President in respect of rentals, as of the date of his present contract.

The CHAIRMAN: And that adjustment was made on that principle?

Mr. MACMILLAN: Mr. Chairman, that meeting of the Executive Committee, the minutes of which have just been read, was held after the Directors Meeting which was referred to. This was on the 24th March, I presume, 1930?

The CHAIRMAN: Yes.

Mr. MACMILLAN: The Directors Meeting was on the 23rd September, 1929, and I want to know if there is any retroactive features in the minutes of the Directors Meeting.

The CHAIRMAN: Well, they speak for themselves; I cannot say that there is; I don't think there is.

Mr. MCGIBBON: That might make that \$5,000 illegal.

The CHAIRMAN: That is a question of law which I am not called upon to answer.

Mr. GEARY: Are the minutes of the Executive Committee later on confirmed by the Board or adopted?

Sir HENRY THORNTON: Yes.

Mr. GEARY: Well, if they were adopted and approved by the Board I think that would go to the legality of the matter.

Hon. Mr. EULER: That makes it legal again, I suppose.

The CHAIRMAN: There would be ratification of it, anyway. Let us leave it at that.

Mr. FAIRWEATHER: Mr. Kennedy asked the following question:

Question: What is the cost of passenger service and the cost of freight service which takes in capital investment and the cost of operation as well?

Answer: For the year 1931 including Eastern Lines:

	Freight Service	Passenger Service
Revenues.. . . .	\$157,163,630 41	\$43,341,531 59
Expenses.. . . .	132,181,353 54	67,131,641 89
Net Operation.. . . .	\$ 24,982,276 87	\$23,790,110 30
Ratio—Revenues to Ex-		
penses.. . . .	84.0	155.0
Capital Investment in:		
Freight train cars..	\$248,014,938 89	
Passenger train cars.	.....	\$69,827,749 59

Mr. GEARY: That is book value, is it?

Mr. FAIRWEATHER: That is book value, cost of acquisition.

The CHAIRMAN: Without depreciation?

Mr. FAIRWEATHER: That is the book value without depreciation.

By Mr. Stewart:

Question: Salaries, fees and expenses paid by Canadian National Railway or any of its subsidiaries to G. A. Gaston from 1923 to date?

Answer: \$372,800.20 includes \$57,886.10 expenses and \$654.54 director's fees and expenses.

That is in connection with the Central Vermont.

The CHAIRMAN: The director's fees?

Mr. FAIRWEATHER: Yes.

Mr. GEARY: Just to go back, do you carry any depreciation except depreciation reserve on your equipment?

Mr. FAIRWEATHER: Well, sir, it depends whether our property is in the United States or in Canada. In the United States, under the Interstate Commerce Commission regulations it is required that one set up a depreciation figure against equipment. In Canada there is no such regulation and we follow retirements accounting. We do not pyramid our capital account. There is no pyramiding of the capital but we do not practice depreciation.

Mr. MCGIBBON: Mr. Chairman, might I have an explanation of the enormous fees and expenses that were paid to Mr. Gaston, something aggregating about \$65,000 a year for a term of five or six years?

The CHAIRMAN: I have no desire to shut off anything, but that was all discussed, as I understand it, on a previous occasion?

Mr. MCGIBBON: No.

The CHAIRMAN: Well, then, if I am wrong, the question is in order.

Hon. Mr. EULER: Where were these expenses incurred?

Sir HENRY THORNTON: I was about to give you a statement with respect to the question that has been raised.

Shortly after I came to Canada in my present position, and after a consultation with the legal department and also consultation with the then Deputy Minister of Railways, Major Bell, it was quite evident that the accounting, the books, the listing of securities was in a highly chaotic state. We had something like, as I recall it, 150 mortgages. I am giving you a round figure. It might have been more than that. But it sticks in my mind it was something like 150 different mortgages all with different rates of interest covering different parts of the railway, with different dates of maturity, different conditions, and some were guaranteed by the provinces, and some were guaranteed by the Government; some mortgages would be a first lien on the property of the company for a certain number of miles, three or four hundred miles, and for an adjoining three or four hundred miles a second lien, and the more the question was examined the more chaotic it seemed to be.

Most of these conditions were the inheritance from previous private administrations, that is to say, the old Grand Trunk Railway in particular, and also the properties which were generally known as the Canadian Northern or the Mackenzie and Mann properties. There were a number of cross agreements, partly with the Government and some with the provinces in regard to these financial documents. It presented perhaps the most difficult mess of financial documents, liens, mortgages and so on that I think ever confronted any business enterprise and, with a view to trying to catalogue, arrange and put on paper these different obligations and their significance, it was thought wise by the Board at that time, and by the Government, as I recall it, of that day, that there should be employed some outside agency which could give its entire time to the investigation of that highly complicated problem.

There were also such things as the purchase by the Government of the Canadian Northern Stock, for instance, which, as I recall, was purchased for \$10,000,000 and then was taken into the books of the Government—I think I am right in saying this—at its par value of \$100,000,000. That is just an illustration of some of the rather extraordinary and difficult things which had crept into the financial structure of the Canadian National Railways.

The old Grand Trunk System as I recall it—in fact I recall it very distinctly—had never kept very accurate accounts of their corporate financial position, and that too had fallen into a pretty chaotic state. For instance, we found on one property which was owned by the Grand Trunk Western a lease which was something like fifty years old the terms of which had been entirely ignored and forgotten. That is only another illustration of the complete ignorance—if one might use that term—that our accounting department was in

with respect to the financial structure of the company. So, acting upon the resolution of the Board, I investigated to see who we could get to investigate the whole question, and we employed Mr. Gaston for that purpose. The amounts paid to him involved not only compensation for his personal efforts but also involved the employment of a considerable number of accountants, clerks and others to investigate this complicated question.

Now, Mr. Gaston worked on that and made reports to myself, had discussions with the Deputy Minister of the day, and the Minister of the day from time to time with respect to the financial situation; and finally, as a result of that, after several years of work, we got all of these various liens, mortgages and documents and instruments catalogued and knew pretty well what we had. After that was done we then undertook to see if there could be prepared some form of revised financial structure which any intelligent business enterprise would be prepared to adopt in order to put the financial position of the company on a solvent basis, if possible; and, at any rate, to put it in an orderly fashion; and a report was prepared, but subsequently—I think it was in 1929 or 1930, I am not sure, but I think it was 1929—the report was presented to the Government. It was discussed and various opinions were expressed, but we never came to any conclusion with respect to it, largely, I think, because it involved some very important questions of bookkeeping on the part of the Government itself. I think it was really in 1931, that work having been finished, there being no probability of anything being undertaken by the Government with respect to this financial situation, Mr. Gaston's services were dispensed with.

Mr. MACMILLAN: When was that?

Sir HENRY THORNTON: That was, as I recall, April 14, 1931.

Mr. MCGIBBON: Was there nobody on your staff competent to do that work?

Sir HENRY THORNTON: No, there was not, doctor.

Mr. MCGIBBON: Was there nobody in Canada. Did you have to go to the United States to get an American to do this work? I would also like to ask, did not this man Gaston offer to stay here for \$15,000 a year?

Sir HENRY THORNTON: No, I have no recollection nor do I think such a proposal existed.

Mr. MCGIBBON: Then I would like to have a segregation of that amount to know how much was paid to others.

Sir HENRY THORNTON: Well, we will try to get that.

The CHAIRMAN: Might I ask you this question? Was there anybody having knowledge to that of Mr. Ruel with the ramifications say, of the Canadian Northern System, or was it necessary in view of his knowledge to bring in a man at \$50,000 a year to do that work?

Sir HENRY THORNTON: Well, that was discussed at the time by myself and some of the more important officers of the company who advise me with respect to all matters of that sort, with the Board of the day, and we concluded that the procedure which was followed was the best course to pursue—just as you have on the Royal Commission to-day two distinguished gentlemen in the transportation field, one from England and one from the United States who have been called in to sit upon the Royal Commission. I might say that perhaps that might have been limited to purely Canadians, and yet on the other hand it is not unusual. Sir Andrew Duncan, for example, has been called to Canada three times to deal with matters relating to the Maritimes; and Mr. Ackwith, who was a very eminent economist and railway student, was brought to this country, as I recall it, by one of the previous Governments; and also Mr. Smith, who was the president of the New York Central of that day, and I think the present President of the Lehigh Valley also was called upon.

Mr. BEAUBIEN: And also Sir Alexander Gibb was brought from England to investigate the ports of Canada.

Hon. Mr. CHAPLIN: Mr. Chairman, besides this high salary that was paid by the Canadian National Railways to Mr. Gaston, is it not true that \$12,000 more a year was paid to him as Receiver for the Central Vermont a few years ago, and how long did that continue?

Sir HENRY THORNTON: I think the Central Vermont was in receivership for some time, and the figures that have been given just recently are inclusive figures. Mr. Gaston was appointed a receiver of the Central Vermont by the Federal court of the United States.

Hon. Mr. CHAPLIN: On whose recommendation was that made? He was a full time officer at that time of the Canadian National Railways, and was being paid for his full time, yet he drew besides \$12,000 in salary because of his receivership in the Central Vermont.

Sir HENRY THORNTON: That was the figure fixed by the Federal judge.

Hon. Mr. CHAPLIN: It must have been recommended by some official of the company.

Sir HENRY THORNTON: We made no recommendation at all with respect to his remuneration as a receiver of the Central Vermont.

The CHAIRMAN: Who recommended his appointment?

Sir HENRY THORNTON: The Canadian National Railways, of course.

The CHAIRMAN: Is it not true that another receiver was engaged on the Burlington Vermont?

Sir HENRY THORNTON: That is true.

The CHAIRMAN: And the amount of his receivership fees was \$12,000 a year, and they were paid by order of the same court, but were deducted from his annual salary.

Sir HENRY THORNTON: I don't know.

The CHAIRMAN: That is the information that has been given to this Committee before.

Sir HENRY THORNTON: I do not know. I will have to look that up. I cannot answer.

The CHAIRMAN: That is my recollection at all events.

Mr. MACMILLAN: I should like to know who this man Gaston is.

Sir HENRY THORNTON: If you like I shall tell you all I know about Mr. Gaston. Would you like that information given?

The CHAIRMAN: The Committee has asked for it.

Sir HENRY THORNTON: Mr. Gaston was, at the time the war broke out, in private practice in New York, doing a financial business, of just what nature I do not know, excepting that he was associated with one or two rather important banking houses. I remember very well shortly after the war broke out he came to England representing a company which he had formed, known as Gaston, Williams and Wigmore, and he asked me to give him a letter of introduction to the Mechanical Transport Department of the War Office, which I did. He went to the War Office and met whoever was in charge of the Mechanical Transport Department, represented correctly that he had certain commissions from automobile manufacturers in the United States to sell cars, trucks, mechanical transport, to the British Government. I recall that he told me after that conversation, he sold some four or five hundred—I forget the amount—trucks to the British Government, and deliveries were made. These deliveries were so satisfactory, and they were satisfactory because he himself, as I understood it, owned three or four freight vessels, and was able

to provide his own transportation from the United States to England. At that time ocean companies were in tremendous demand, and one of the problems which confronted the British Government was not only in purchasing supplies in the United States, but to get quick and immediate deliveries in England and in France.

Well, the upshot of the first negotiations with the British Government was that they wished to go further. They asked him what his terms were with respect to the sale of further automobiles, and he told the Mechanical Transport Department that they could fix their own terms. Now, I don't know what those terms were, but at any rate, the British Government at that time fixed the terms and he accepted them.

Mr. MACMILLAN: Terms as to payment?

Sir HENRY THORNTON: Terms as to price and payment, and things of that sort. I personally know nothing about that.

Hon. Mr. CHAPLIN: It looks as if he fixed his own terms too, in Canada.

Sir HENRY THORNTON: Well, I do not think that is a question I am required to answer; seeing it is put in that particular way, I do not intend to answer it.

Mr. MCGIBBON: Sir Henry, would you—

Sir HENRY THORNTON: You asked me to give a statement and I am trying to make that statement. Now, the result of that was, at the time the war ended, I understand that Gaston, Williams and Wigmore had sold the British Government—I will say roughly—about 15,000 trucks, and I remember seeing a letter which the head of the Mechanical Transport Department had written to Mr. Gaston, thanking him for his services, which they said were of great value to the British Government, and generally a letter of complimentary character. After the war was over, he continued in business, and when I came to Canada early in 1923, after looking about to see if we could find someone who would take up this duty and perform it, I concluded, on account of the excellent service he had given to the British Government, and the Allies, that he was the proper person to so employ.

Hon. Mr. EULER: Just to get the record straight, and to get the thing clear in my mind, I understood you to say that the sum that was paid to Mr. Gaston was some \$60,000. I understood you to say also that that included remuneration for a staff of assistants such as accountants, clerks and others. There is one other point I want to get clear, because Mr. Chaplin asked it, and that is whether the \$12,000 that was paid Mr. Gaston as a receiver of the Central Vermont—I thought he rather thought that that was in addition to the \$60,000, but did I understand you to say that that was included in the \$60,000?

Sir HENRY THORNTON: It is included in the figures we have given.

Hon. Mr. CHAPLIN: It is not included in the \$50,000.

Sir HENRY THORNTON: That is perfectly true, that is true.

Hon. Mr. CHAPLIN: It is in addition.

Sir HENRY THORNTON: That is true.

Hon. Mr. CHAPLIN: That is my understanding. It may be included in the full figures of expenses and salaries that have been given to the committee.

Sir HENRY THORNTON: So it is.

Hon. Mr. CHAPLIN: That I do not dispute, but the \$12,000 is certainly in addition to the \$50,000.

Sir HENRY THORNTON: That is quite true.

Hon. Mr. EULER: Is it possible to get this: what amount definitely and distinctly went to Mr. Gaston?

The CHAIRMAN: They have asked to have the figures broken down.

Sir HENRY THORNTON: I shall try to get that.

Mr. MCGIBBON: On behalf of the officials of the Canadian National Railways, and the people of Canada I object to the insult that has been given here to-day as to their incompetency to do the work.

The CHAIRMAN: Well, I don't know—

Hon. Mr. MANION: Mr. Chairman, I have been sitting here listening to this discussion and debating just whether I should take any part in it or not. I know all about Mr. Gaston, I think, and I have been hesitating very much about saying anything, and yet if I do not say something, there may come a day when I will be accused of listening to the discussion and not opening my mouth, and consequently I think I should say a few words about Mr. Gaston.

When I became Minister, it was drawn to my attention that Mr. Gaston was getting \$62,000 a year. That was the story that was told me by officers of the company. I asked Sir Henry about it, and what Mr. Gaston was doing that he should get \$62,000 a year, and Sir Henry explained the financial end of it as he has here to-day. I do not know whether it was at the original meeting with Sir Henry in regard to that or not, but on one occasion early in my administration of the department Sir Henry asked me if it would be satisfactory to keep Mr. Gaston at \$25,000 a year, because I had made it clear that from my information Mr. Gaston was not necessary for the good of the railway at \$62,000, a year. I agreed at that time to his staying on at \$25,000 a year. Later the question came up again, brought up I think by some of the officers of the railway itself, to me, not by Sir Henry but by someone else, I understood on behalf of Sir Henry—at least on behalf of the Canadian National or Sir Henry, I don't know which—I was asked if I would agree to Mr. Gaston's remaining on the National road at \$15,000 a year. I said that I knew of no reason why he should be paid \$15,000 per year, because I understood he was performing no duties, and consequently Mr. Gaston went back to the United States.

The CHAIRMAN: What is the next thing?

Mr. FAIRWEATHER: The question asked by the Chairman, as follows:

Complete statement of Archibald contract, copy of the contract, statement of what it involved as it has been carried through, what the actual expenditure is under it, along with a statement of the engineering cost of the system's own engineers and architects engaged in the same work.

This is the answer:

There are two contracts with regard to Mr. Archibald:

- (a) Arrangement with the Company regarding his services as architect for certain Canadian National Railway hotels.
- (b) The contract between the Canadian National Railway Company and Terminal Architects and Engineers, of which latter organization Mr. John S. Archibald is a partner. As regards (a) above, attached hereto is a copy of correspondence interchanged between Mr. S. J. Hungerford and Mr. John S. Archibald which establishes the basis of his agreement with the Company regarding Canadian National hotels, together with an extract from the minutes of the executive committee meeting of the Directors of the Canadian National Railway Company authorizing same.

As regards (b) attached hereto is a copy of an extract from the minutes of the meeting of the executive committee of the Directors of the Canadian National Railway and an extract from the minutes of a meeting of the Board of Directors of the Canadian National Railway Company with regard to the Terminal Architects and Engineers, together with a copy of the agreement which was entered into between the parties February 6, 1930.

(c) The total amounts paid to John S. Archibald under (a) above are as follows:

1927..	\$ 45,000 00
1928..	110,000 00
1929..	180,000 00
1930..	165,000 00
1931..	159,406 50
1932 to date..	30,000 00
	<hr/>
	\$689,406 50

outstanding accounts and estimated fee for the complete hotel works \$385,083.34.

The CHAIRMAN: What is the total of these?

Mr. McGIBBON: Does it total almost to a million dollars?

Mr. FAIRWEATHER: The total is \$1,074,489.84.

Mr. DUFF: The fees are on a commission basis.

Mr. FAIRWEATHER: Those are fees on a commission basis as set forth in the agreement.

Mr. DUFF: For work done?

Mr. FAIRWEATHER: Yes; standard architects' fees.

The CHAIRMAN: That is only in relation to hotels.

Mr. FAIRWEATHER: That is in relation to certain hotels. shall I read this list?

The CHAIRMAN: Can you tell us briefly just what the rate of the commission is, and how much.

Mr. FAIRWEATHER: The architectural commission to be five per cent on the total cost of the hotel, including the cost of special decorations and special furniture for public rooms, but exclusive of the following: 1. Power plants; 2. Cost of bedroom equipment such as furniture, bedding, rugs, curtains, pictures, etc; 3. Cost of dishes, kitchenware.

The CHAIRMAN: Furnishings of public rooms?

Mr. FAIRWEATHER: Yes. There is a note here. "An additional fee of 2½ per cent to be paid to the architect upon the cost of plumbing, heating, ventilation, electrical and similar mechanical works." These fees are in accordance with the standard architects' fees, I may say.

The CHAIRMAN: They are never reduced in any circumstances, having regard to the huge expenditure?

Mr. FAIRWEATHER: I have a statement here showing representative fees, and they seems to be very much in line. For instance, the Parliament Buildings, the fee was 5 per cent; the Sun Life Building in Montreal, I believe the fee was 5 per cent, plus a service charge; The Royal Bank Building in Montreal, 5 per cent, plus a service charge; the Toronto Union Station was 5 per cent plus 3 per cent for service; the Federal Parliament buildings at Australia was 6 per cent plus service.

The CHAIRMAN: All I can say is we are just wasting our time. We had better get into the architectural business right away.

Mr. BEAUBIEN: Like the lawyers they do not reduce their fees.

Mr. FAIRWEATHER: "The amounts paid to Terminal architects and Engineers as per agreement to December 31, 1931, \$336,613. Further amounts payable under the contract are dependent upon the resumption of the terminal work and the extent to which the works are completed. The contract is at

present suspended by mutual agreement between the parties but without prejudice to any rights in the case of cancellation."

The CHAIRMAN: It is not terminated, just suspended.

Mr. FAIRWEATHER: Suspended.

(e) The engineering, architectural, clerical and inspection costs incurred by the Canadian National for the supervision and co-ordination of the works covered by (a) amount to \$96,917.82 for the complete period 1927 to date.

The CHAIRMAN: That is your own staff, is it?

Mr. FAIRWEATHER: Yes. Not doing the same work, but it is the co-ordination and inspection of the work.

(f) Similar cost applicable to the Montreal Terminals, \$53,020.86.

Mr. GEARY: Have you the gross amount?

The CHAIRMAN: Just one moment. Mr. Chaplin has the floor. Perhaps it would be as well to follow up your question, though. The gross amount of work done.

Mr. FAIRWEATHER: The total expenditures which fall under the purview of the hotel contracts of Mr. Archibald, will, when completed, amount to \$24,860,439.14.

Mr. GEARY: Roughly, how many years?

Mr. FAIRWEATHER: That runs from 1927.

Hon. Mr. EULER: Were the commissions he received entirely on standard rates?

Mr. FAIRWEATHER: I should say, judging from the figures I have read of representative architectural fees, I should say so.

Hon. Mr. EULER: Would he have a staff of assistants employed?

Mr. FAIRWEATHER: Well, he would have to have—I have had some experience in structural engineering myself—I should say that he would probably in his peak time, when he was designing the hotel, have possibly upwards of 100 draughtsmen.

Hon. Mr. EULER: Which he had to pay out of the five per cent commission.

Mr. FAIRWEATHER: Oh, yes.

The CHAIRMAN: Of course, that is understood.

Mr. MCGIBBON: Was there any competition when you were engaging architects?

Sir HENRY THORNTON: No, I do not think there was. Mr. Hungerford, can you say anything about it at all; can you say anything about the circumstances connected with Mr. Archibald. I do not remember it myself very definitely.

Mr. HUNGERFORD: I really do not know who suggested Mr. Archibald in the first instance; but we had to have an architect at that particular time, and Mr. Archibald had a high reputation in the city of Montreal and across the country, as a capable architect, and it was suggested in some way, by somebody, that he be employed for the purpose. It seemed to be a matter of general consultation between the directors at the time.

The CHAIRMAN: Between them.

Mr. HUNGERFORD: And certain of the executive officers. The matter came to me in that way, and I could see no objection to employing Mr. Archibald, and the arrangement was made on the most favourable terms we could.

The CHAIRMAN: Was it ever suggested that some other architect be consulted and figures obtained? This is a huge contract.

Mr. HUNGERFORD: Well, it started this way, Mr. Chairman. The first consideration was the extension of the Chateau Laurier at Ottawa. That is how the connection was established in the first instance.

The CHAIRMAN: Was there any competition among architects for that job at that time?

Mr. HUNGERFORD: Not so far as I know.

The CHAIRMAN: There never has been, as a matter of fact.

Mr. HUNGERFORD: No, I don't think so.

Sir HENRY THORNTON: I do not know but what there is the question of professional practice that creeps into it, but I am not competent to express an opinion on it; I don't know.

The CHAIRMAN: It frequently happens in any public buildings, bids are made for competitive business.

Mr. POWER: May I say this, Mr. Chairman, the fee is always the same. I am asking for information.

Mr. FAIRWEATHER: Of course, I was going to say this: architects are organized into established societies.

The CHAIRMAN: The same as lawyers.

Mr. FAIRWEATHER: The same as lawyers; and they had a schedule of minimum fees below which it is not ethical to take a job. These minimum fees are set up and are public property; they are set out in the statutes of the various provinces, and the fees that were paid Mr. Archibald were those minimum fees of the province of Quebec.

The CHAIRMAN: I do not think that is strictly correct, that they are set up by statute in various provinces; that may be so in some provinces.

Mr. POWER: They are in Quebec.

The CHAIRMAN: Perhaps they are.

Hon. Mr. CHAPLIN: I would like to inquire if during the life of this contract with Mr. Archibald there was any other contract similar in any other departments of the railway applying to Mr. Archibald?

Sir HENRY THORNTON: No. I feel quite sure there is not. We employed Mr. Archibald as the outside architect just as you would employ an outside doctor or an outside lawyer, and he gives service under that contract. I know of no other contract at all.

Mr. MACMILLAN: With regard to fees, it is true that in all these structural contracts you can include a great many different items. Decorating was included and certain classes of furniture on which he gets a commission, so that the picture, when you say it is a satisfactory thing, is not just correct. These things are not satisfactory.

Sir HENRY THORNTON: It included certain things and excluded certain other things. When it came to a matter of bedroom furniture, I remember saying myself that that is something which the—

Mr. MACMILLAN: Surely no sane man would pay an architect 5 per cent to go out and buy bedroom furniture and rugs.

Sir HENRY THORNTON: That is not exactly what did happen. It was excluded.

Mr. MACMILLAN: I am just pointing out that when Mr. Fairweather says that the matter is covered by an Act in the different provinces, it is covered only so far as the fees they are to get is concerned. The matter of decorating or designing certain furniture is not covered by that Act at all.

The CHAIRMAN: Sir Henry, you said that the commission on bedroom furniture was not included in the contract as finally signed. Is it not a fact that it was included, as originally contemplated, but was subsequently excluded?

Sir HENRY THORNTON: You will have to ask Mr. Hungerford about that.

Mr. HUNGERFORD: I only had charge of the hotel department up to a certain time, and up to that time that is not so.

The CHAIRMAN: I would like to know how much this man Archibald and his associates have got from every point of view, from the time of his first employment in the Chateau Laurier up to the present time?

Sir HENRY THORNTON: I think the statement includes that. That is all inclusive.

The CHAIRMAN: Is it not true that he can still enforce his rights on the terminals contract, whether you build it or not?

Sir HENRY THORNTON: That is a matter of law.

The CHAIRMAN: Perhaps it is not a fair question to ask you.

Sir HENRY THORNTON: What we have done there is this: We have put the contract with the Terminals Engineers and Architects in abeyance, and those sums are being paid on that account now.

The CHAIRMAN: By mutual agreement.

Sir HENRY THORNTON: Should we resume at any time, of course, we would have to give consideration to any rights which this firm known as Terminal Architects and Engineers might have; but, at any rate, the fact remains that so far as that contract is concerned it is inoperative and in abeyance. What the legal rights might be of any individual as a party to that contract is a matter of law and I cannot say anything about it.

Hon. Mr. EULER: Has he made any demand since the discontinuance of the work?

Sir HENRY THORNTON: No.

Mr. DUFF: He is only paid for the work he does.

Sir HENRY THORNTON: As far as the terminal is concerned, he is only one of two or three others.

The CHAIRMAN: Mr. Fairweather, does the memorandum which you submitted and which was given to the reporter include the contract designated as "A" and the contract designated as "B"? I would like to have the committee read those contracts.

Mr. FAIRWEATHER: Yes, both contracts are filed.

The CHAIRMAN: Let us have them in the minutes.

Mr. GEARY: The thing that strikes me as being unusual about this is the fact that there is no competition in regard to price, apparently, and the unusual feature is that it is a contract extending into the future for such building as might be undertaken, for which at the moment I see no necessity because you are going to pay the same fee in any event. You get no advantage by making a contract extending to future buildings.

Sir HENRY THORNTON: What is the situation, Mr. Hungerford?

The CHAIRMAN: Does the contract with respect to hotels include any future buildings that the railway may build?

Mr. HUNGERFORD: Not as far as I know.

Mr. GEARY: The contract is for each building.

The CHAIRMAN: No. The contract for all the buildings they had under way including the Vancouver hotel and the Saskatoon hotel.

Mr. MCGIBBON: And the Montreal terminal.

The CHAIRMAN: No. That is a separate contract.

Mr. McGIBBON: It is the same man.

Sir HENRY THORNTON: Not quite. Mr. Archibald is only one. My recollection is that there is included in the architecting service engineering which would include plumbing and lighting and structural engineering. Mr. Archibald is, as far as the terminal is concerned, only one of three or four.

The CHAIRMAN: Mr. Archibald has made a separate set-up in the corporate capacity with respect to the Montreal terminals, and he is associated with the engineer who built the Quebec bridge.

Mr. FAIRWEATHER: Monsarrat and Pratley.

Hon. Mr. CHAPLIN: Is that contract before the committee? Will that be in the record?

The CHAIRMAN: Yes.

Mr. DUFF: I do not think it is quite fair to state that. As I understand the matter, it is a company matter.

The CHAIRMAN: It is pretty hard to dissociate the individuals from the company in this case.

Mr. DUFF: You should do so. There are four or five hundred men in this work.

Hon. Mr. EULER: I want to clear up one point. The intimation is thrown out that the contract is made under which the company has retained Mr. Archibald for future construction that might be undertaken. I understand him to say it does not.

The CHAIRMAN: That was the question.

Mr. HUNGERFORD: I had better make a general statement. With respect to hotels, there are no further commitments whatever beyond the contracts for the hotels that have been completed or are now under construction. With regard to the Montreal terminals I would like to explain the situation that confronted us when we came to the point where we had to make arrangements for the designing of the structures on the station area. The Montreal terminal development consists not only of the development of passenger facilities in the centre of the city, but of new lines, grade separations and various other features scattered over a large area. At that particular time, we had a great amount of engineering work to do in connection with the railroad as a whole. There were many large works going on, notably the Toronto grade separation work but we determined that outside of the station area our own engineers would undertake to do all the work. That is to say, the viaduct, the outside lines, the subways, bridges and all of those things.

The CHAIRMAN: Under Mr. Brown?

Mr. HUNGERFORD: Under Mr. Brown.

Besides having so much other work to do, the development of the facilities in the station area was of such a complicated character that we did not feel we had men competent to handle the work and to do so would have necessitated creating a very extensive and expensive staff. The work was exceedingly complicated because of the fact that all of the railway facilities were generally below ground level; there were several floor levels involved and something like five streets intersecting the area.

On account of the facilities being below ground we wanted to utilize the surface areas for leasehold purposes and this necessitated designing the structure of the railway facilities in such a way as to support buildings that might be erected on the leasehold areas in the future. In order to permit of this being done it was necessary to roughly design these future buildings so as to determine their weight, etc., and also their requirements with respect to water and steam

pipes, sewers, and other service features for which provision would have to be made in the railway facilities beneath.

Taken altogether it was one of the most complicated jobs that I have ever heard of. There was no one single firm in Canada we knew of that had sufficient experience to undertake the job as a whole. There were several firms in the United States, but it was not thought advisable to consider them in connection with the matter. Under these conditions involving a combination of architectural work, structural and bridge engineering and service engineering as well as the projection of the future buildings that we hoped would be built by other people above the railway facilities, we decided that the best thing to do was to emulate the plan in connection with the Toronto Union station, where they created an association of outstanding engineers and architects to carry on the work. We selected those men that we thought, generally speaking, were best qualified and invited them to form a partnership or some kind of an association to take on the work on the same general basis as had been done in connection with the Toronto Union station by the old Grand Trunk and Canadian Pacific Railways.

Of the men selected Mr. Hugh G. Jones had been employed for some time before in making tentative studies and was perhaps the most experienced architect in the country on passenger stations and similar railway facilities. Naturally, he was given consideration as he had already given the matter a great deal of study. Mr. Archibald was of course, already identified with the company in connection with hotel works. Monsarrat and Pratley were the outstanding structural and bridge engineers in the country and the firm of Wilson and Kearns might be considered outstanding in service engineering. We had had business relations with all of these firms and the results had been satisfactory. We asked them if they would form an association of some kind to undertake the architectural and engineering work and after much discussion and consideration an arrangement was finally worked out, which we regarded as satisfactory, and was on the basis of fees usual in architectural and engineering practice.

There was however, one peculiar feature which goes a little beyond that. The desire was to make provision for the possible erection of buildings on the leasehold area in the future, as such areas were extensive and a large revenue might reasonably be expected therefrom. The arrangement in that respect was that we should pay one-quarter of one per cent to tentatively design such buildings so that suitable provision could be made in the railway facilities to carry them and provide them with essential services and the amount earned on this account was arrived at in this way: After the buildings were tentatively designed to the maximum size that the city building by-laws would permit, their cubic space was to be taken and an average cost per cubic foot was agreed upon and the fee was to be based upon the estimated cost of the buildings arrived at in this way. The only continuing feature in connection with the contract is that if in the future the works are constructed and anyone wants to lease an area and put up a building the contract provides that the company shall, subject to its own best interests use its best influence to have the lessees of the surface area employ these people to design the building.

The CHAIRMAN: But there is no obligation.

Mr. HUNGERFORD: No, there is no obligation.

Hon. Mr. MANION: As a matter of information, with the terminals shut down at the present time, and supposing the work does not go on at all, have Archibald and his associates any financial return coming in the future at all.

Mr. HUNGERFORD: Well, that, I suppose, is a legal question, but I assume that they would have a certain ground for establishing a claim in the same way as in connection with the cancellation of any contract.

Hon. Mr. MANION: So that at the present time, as it has not gone through any courts, it is really not known whether they have rather large claims or not. I read the contract as an ordinary layman, and it came to me that the shutting down of the work did not shut them off from collecting their full fees, as if the work went on, except with regard to certain works which they could not perform.

Mr. HUNGERFORD: Perhaps I might explain the situation. When the work was suspended, of course, no one knew whether the work would be resumed or not. We do not know yet. The work of designing the structure was in progress. A great many studies had been made over a long period of time to develop the best facilities at the lowest cost possible, and the results of those studies were not completely recorded. The drawings and plans did not fully record the results of all the studies at that time, and if the architect's work had been stopped at that time and the work resumed at some future time it would have been necessary to restudy practically the whole question. So we made an arrangement with them under which, for a limited sum covering a period of five or six months, they would bring the drawings to a condition satisfactory to the chief engineer.

Hon. Mr. MANION: I remember that because you put it before me at the time and I agreed with it.

Mr. HUNGERFORD: That is the situation at the moment. A further term of the agreement is that without prejudice to the rights of either party the whole matter is suspended.

The CHAIRMAN: It is indefinite.

Mr. HUNGERFORD: Indefinite.

The CHAIRMAN: For no particular period.

Hon. Mr. MANION: There was a discussion in regard to hotels. I know you are not as familiar with the hotels as with these other contracts, but certainly, according to my recollection, Mr. Archibald was to get an architect's fees on the furnishings of the hotel, and later, I am going by my memory—later that was discontinued after some talking over by myself and others of the Government. Do you know anything about that?

Mr. HUNGERFORD: My recollection of the matter is this: His commission on the ordinary furniture was allowed under the original arrangement but after a certain date I have no knowledge of what transpired.

Hon. Mr. MANION: Was there not an agreement made later, after the regular architect's agreement, wherein Mr. Archibald came in for his commission on the furnishings and that was later refused?

Mr. HUNGERFORD: I do not know.

Hon. Mr. MANION: I have that recollection, and Mr. Anderson says he remembers it distinctly, that Mr. Archibald was to get, whether through the agreement or by a separate agreement, a commission on the furnishings on the hotel which, after a discussion that arose here at Ottawa, was taken out of the agreement, and as a result he was not to get any commission on the furnishings of the hotel. I have that fairly well fixed in my head.

Sir HENRY THORNTON: I do not remember very definitely the facts which you relate. I do not mean to say they are not correct; I do not remember them. I do remember, however—I do not quite recall how it came about—the question of whether the architect, that is to say, Mr. Archibald, was entitled to a commission on what you call the ordinary run of mine furnishings in the hotel, such things as bedroom furniture and kitchen utensils.

Now, whether that grew out of the conversation with yourself or not I cannot recall, but I do remember quite distinctly saying that irrespective of whether there was anything in the contract or not, I did not feel that the com-

pany was justified in paying a commission on the purchase of furnishings which the Purchasing Department could quite adequately carry out. Just exactly how it came up I cannot recall. I don't know whether it was in the contract or not, but I know it was left out finally.

Mr. GEARY: Mr. Chairman, it does seem to me that it would be inadvisable for this committee to express any opinion on the contract, and still more inadvisable that we should seek to commit any of the officials as to liability under this contract.

The CHAIRMAN: I quite agree from the legal standpoint.

Mr. GEARY: Probably the Minister was quite right in permitting the work to go on, the work that was on hand.

Hon. Mr. MANION: It was explained to me by Mr. Hungerford at the time that there were certain plans which were in course of preparation and that they felt it was an economical proposal, if the terminal was ever gone on with, that they should have those plans and they could get them by the payment of a comparatively small amount of money, and I entirely agreed with him.

The CHAIRMAN: For the benefit of the committee who did not hear this correspondence, I may say to you that I am advised there is no formal contract with respect to hotels, but it is comprised in two letters, one addressed by Mr. Archibald to Mr. Hungerford, of the 7th November, 1928, and one from Mr. Hungerford to Mr. Archibald, dated November 19, 1928. I notice that letter is marked personal. I do not see why it should be. However, I am going to read those letters and it may clarify the situation.

JOHN S. ARCHIBALD,
Architect

November 7, 1928.

S. J. HUNGERFORD, Esq.,
Vice-President,
Canadian National Railways,
Montreal.

DEAR SIR:—

Re: Addition to Chateau Laurier, Ottawa

As a result of our conferences, the following understandings will apply in connection with the above-mentioned work:—

- (a) Although there are considerable alterations in the present building, in view of the size of the new section, the work to be considered as a "new construction" and not as an "addition or alteration."
- (b) The architectural commission to be five per cent (5 per cent) on the total cost of the Hotel, including the cost of special decoration, and special furniture for public rooms, but exclusive of the following:—

- 1. Power Plant.
- 2. Cost of bedroom equipment, such as furniture, bedding, rugs, curtains, pictures, etc.
- 3. Cost of dishes, cutlery, kitchenware, etc.

An additional fee of two and one-half per cent ($2\frac{1}{2}$ per cent) to be paid to the Architect upon the cost of plumbing, heating, ventilation, electrical, and similar mechanical works.

- (c) For the above-mentioned fees, the undersigned to furnish complete architectural and engineering services, and employ and pay for all professional and consulting services required, including consultation in respect of general design, and special furniture and decorations for public rooms.

- (d) A resident Superintendent of Works to be employed during the work by the Company; said Superintendent to report jointly to J. S. Archibald and J. Schofield.
- (e) Mr. J. Schofield's name to appear on all drawings and specifications as "Associate Architect". Mr. J. Schofield and Mr. Walter Pratt to be consulted with respect to all architectural work. All plans must receive the approval of Mr. Walter Pratt.
- (f) During the carrying out of this contract, the Company to furnish to the Architect and two of his employees, free passes for direct transportation between Montreal and Ottawa. All other transportation and hotel expenses to be paid for by the Architect.
- (g) No day charge to be made by the Architect for any time spent by himself or staff in visiting the work.
- (h) The Architect to furnish the Company, free of charge, vandyke copies of all working drawings and specifications, said vandyke drawings and specifications to be furnished shall be those showing the building and parts as actually constructed.

It is further understood and agreed that the foregoing shall apply to the construction of the new Canadian National Hotel and Station at Halifax, N.S., and the new Hotel at Vancouver; and in connection with these latter projects, the Railway Company shall furnish free passes (subject to the usual conditions) for myself and such of my assistants as may be agreed upon from time to time, for the purpose of facilitating supervision of the work, and the Railway Company will likewise assume the personal expenses of myself and staff as may be incurred in necessary visits to Halifax and Vancouver.

Yours faithfully,

(Sgd.) JOHN S. ARCHIBALD.

Now, this letter from Mr. Hungerford is marked "personal" but it is produced. I see no reason why it should have been marked personal.

Mr. McGIBBON: It isn't marked confidential, it is marked "personal".

Mr. HUNGERFORD: I may say, Mr. Chairman, there is no reason why it should have been marked "personal".

The CHAIRMAN: It is addressed to Mr. Archibald:—

Personal

DEPARTMENTAL CORRESPONDENCE

November 19, 1928.

John S. ARCHIBALD, Esq.,
Architect,
1134 Beaver Hall Hill,
Montreal, Que.

DEAR SIR,—I have your letter of November 7th, wherein you enumerate the terms and conditions applicable to your engagement in connection with the extension to the Chateau Laurier at Ottawa, and the new hotels to be constructed at Halifax, N.S., and Vancouver, B.C.

Such terms and conditions as well as the understandings relating thereto, as outlined in your letter above referred to, are satisfactory to the Canadian National Railways and this letter may be accepted as official confirmation in this respect.

Yours faithfully,

H/M

Vice-President.

Now, Sir Henry, I note that this only relates specifically to the additions to the Chateau Laurier and the Vancouver and Halifax Hotel, but apparently there has been an extension to all other hotels,—is that correct?

Sir HENRY THORNTON: The only other hotel would be the Saskatoon.

The CHAIRMAN: Saskatoon was not mentioned. It has been extended, then, to the Saskatoon Hotel too?

Hon. Mr. MANION: That seems to be very clear in regard to the furnishing of the rooms.

The CHAIRMAN: He didn't do the Charlottetown Hotel?

Sir HENRY THORNTON: No.

The CHAIRMAN: Now, I would like to ask further if there were any other consulting engineers or architects in relation to any of these hotels who were paid by the railways outside of Archibald.

Sir HENRY THORNTON: No, there were not.

The CHAIRMAN: Well, were there any other consulting architects?

Sir HENRY THORNTON: I don't know who Mr. Archibald may have consulted with, but we have no knowledge of anything of that sort. Our contract was with Archibald and that covered everything.

The CHAIRMAN: He agreed to pay, if there is any doubt about that.

Hon. Mr. MANION: If you have done with the hotel business, I just wanted to answer a question of Mr. Duff's as well as I could. It was really asked in the House but I suggested that he might ask it in the Committee, and perhaps Sir Henry or any of the officers might correct me if I do not explain it in quite the proper way. It is in regard to the bonds issued for the Sunnybrae-Guysboro Line. Mr. Duff said he understood that bonds had been issued for the Sunnybrae-Guysboro Line to the full cost of the line.

Mr. CANTLEY: To the amount of \$4,000,000?

Hon. Mr. MANION: Yes, but that some of that money had been spent for other purposes.

Mr. DUFF: I didn't say that.

The CHAIRMAN: What he said was that the amount should be available for completion of the road.

Hon. Mr. MANION: All right. Well, then, that it either was not spent or had been spent for other purposes. I am simply trying to answer the question. I am informed, after making inquiries, that the money raised for the purpose of building branch lines, such as the Sunnybrae-Guysboro Line, is not raised as a distinct bond issue on that particular branch line, but is raised in a lump sum, and as it is used for an individual branch line it is charged up to that, so that there is no money distinctively used for an individual branch line. Does that make it clear?

Mr. DUFF: Yes, except this, Mr. Chairman, that that proves my contention that bonds were sold not only sufficient to cover the cost of the construction of the Sunnybrae-Guysboro Road, but also other branch lines in Canada. If that is true then my statement was quite right, that out of the money raised on bonds for different branch lines there was a sum of \$4,000,000, or about that, which should have been set aside—and was intended to be set aside—to build the Sunnybrae-Guysboro Railway, and under those circumstances, in view of the fact that the railway raised money both for this particular branch line and others then I say that that money is available, or should be, for the purpose of completing this line, and the line should be completed.

Hon. Mr. MANION: May I reply to that briefly. I do not know as to the exact amount that was raised. It is quite possible Mr. Duff is correct in regard to the full amount being raised, but in the bill last year—as in the bill this year—

there is a clause which permits the management of the road if they choose, or the directors if they choose, through the management, to take money which was raised for additions and betterments, which would include a branch line, and apply it to the deficit on interest.

Last year there was originally some \$20,000,000 in the estimates for additions and betterment, and of that I think only \$7,000,000 was spent, in round figures, and \$13,000,000 of it was used for applying to the deficit on interest to the public. So that is quite according to the Act.

Mr. DUFF: That may be quite true, Mr. Chairman, but that does not change the fact that my statement was correct. What I stated was that a sum of \$4,000,000—the actual sum if I am right was \$3,500,000 plus 15 per cent, which would make it about \$4,450,000. I was correct in making the statement that that amount was raised on bonds for the specific purpose of building the Sunnybrae-Guysboro Railway. And I still contend that my statement was absolutely correct; and I might go further and say that, in my opinion, whilst the law might give the railway power to use that money for other purposes, yet it was raised for a specific purpose under an Act passed in 1929, and I claim that that money should be available for the completion of that road.

Hon. Mr. MANION: I am just going to ask Mr. Anderson, the counsel of the department, to give it in legal terms, or from a lawyer's standpoint; there is a slight difference, because he takes the attitude that it was not allocated distinctively for one line or any individual line, that there was a \$70,000,000 issue covering not only the branch lines and various additions and betterments, but other various budgetary requirements and that, therefore, according to the Act, it was simply allocated as the management saw fit.

Mr. DUFF: Mr. Chairman, that may be quite true, but yet, if I understand it, the railway makes up a budget for moneys required for different purposes, and I would like Mr. Anderson, if he is going to give an explanation, to say if it isn't true that in the budget which was made up to make the gross amount of money required, that in that budget a certain amount, say \$4,000,000 or \$4,250,000 was included for the building and completion of the Sunnybrae-Guysboro Railway from the bonds sold and the moneys came into the Treasury of the Canadian National. I would also like to know if this money went into the consolidated revenue, the money from the bonds raised—

Hon. Mr. MANION: I can answer that, as far as that goes. This year's bill gives three items:

- (a) Net income deficits, amounting to \$42,000,000;
- (b) Equipment principal payments, etc., amounting to \$11,000,000;
- (c) Construction and betterments (which would include branch lines) amounting to \$7,000,000;

The total being for this year \$61,500,000; but this is the clause that applies:

Provided, however, that for such purposes the aggregate principal amount at any one time outstanding of the securities which the company is hereby authorized to make and issue from time to time shall not exceed the sum of \$61,500,000; and provided also that should the net income deficit mentioned in paragraph (a) of this section exceed the amount therein mentioned any such deficiency may be met from the amount mentioned in paragraph (c) which latter amount shall be reduced accordingly.

That is according to the Act of last year and this year also.

Mr. DUFF: I don't object to that.

Hon. Mr. MANION: That covers it.

Mr. ANDERSON: The budget did not take care of branch line items. They are in their own particular Bill and they would not be included in the budget each year.

Mr. DUFF: What about the money raised to take care of branch lines?

Mr. ANDERSON: Under the authority of each branch line Act the amount raised is not necessarily taken or earmarked for the full amount of any one particular branch line. When the \$70,000,000 issue was made—

Mr. DUFF: How would you arrive at the amount?

Mr. ANDERSON: Well, then, if there was no money and there was some of the branch line moneys that was raised, that was taken care of in the supplementary estimates for 1931 passed by the Committee here and passed by the House this year providing that some \$7,000,000 that had been raised by these bonds under the authority of the Montreal terminals, the branch lines, and some of the budget, was authorized to be used to meet the deficit for last year. For instance, some \$7,000,000 was authorized by parliament this year to be transferred for these other purposes; that would take care of any moneys left available for branch lines last year.

Mr. DUFF: That does not answer my question, but was there not a distinct item in that budget of \$4,250,000 or thereabouts raised for the purpose of building the Sunnybrae-Guysboro Road?

Mr. ANDERSON: There would not be in the budget, Mr. Duff.

Mr. DUFF: Well, where was it; how do you arrive at the amount?

Mr. ANDERSON: Because that comes under its own Act.

Mr. DUFF: All right. Do you then raise certain moneys for the building of branch lines—say \$4,250,000 necessary for the building of the Sunnybrae-Guysboro Railway—was that included in the budget or in the total amount for which bonds were afterwards issued?

Mr. ANDERSON: Yes. The authority for raising money under the branch lines bills was used for certain amount of that \$70,000,000, but just how that was apportioned I don't know, and, as I understand it, in the accounting end of it they were not specific or earmarked at all for any one branch line because they could always have the authority to issue up to the full amount authorized whether it was spent this year or not; they would still have their authority.

Mr. KENNEDY: You mean switch the money?

Mr. DUFF: What I am getting at is, it was necessary to have a certain amount of money raised on bonds for the purpose of building branch lines, and what I would like to know is, in the raising of a certain amount of money was there \$4,500,000 included in the amount and in the sale of the bonds for the building of this particular railway?

Mr. ANDERSON: I don't think so, Mr. Duff. As far as I understand it from the officers in the accounting end of the department it was not used, it was not earmarked. They couldn't say that the \$4,000,000 was issued for that particular branch line.

Mr. DUFF: Then how do they arrive at the amount that was required to build the Sunnybrae-Guysboro Railway?

Mr. GOBEIL: I notice Mr. Vaughan is here. Would you permit me, Mr. Chairman, to ask a question?

The CHAIRMAN: Certainly.

Mr. GOBEIL: Some three or four weeks ago the member for Temiscouata, Mr. Pouliot, made reference in the House to the purchase of a certain quantity of wild strawberry preserves by the Canadian National Railways from a certain gentleman, J. Gobeil, Laprairie, who happens to be my brother. I would

not bring this matter before this Committee were it not for the fact that Mr. Pouliot in his remarks went so far as to suggest, or perhaps insinuate, if I may use that word, that I used my influence as a Member of Parliament to obtain an order from the Canadian National in favour of that gentleman, J. G. Gobeil, I would like to ask Mr. Vaughan if he can give some information to the Committee in regard to this transaction.

The CHAIRMAN: I think Mr. Vaughan might give the information.

Mr. VAUGHAN: I did not know about this personally, but when that matter came up in the House I made some inquiries about it and from what I could ascertain the matter was brought to the attention of our Commissary purchasing agent through one of the sleeping and dining car agents who was asked if he could not provide some wild strawberry preserves, and he set about to see where he could get it, and he found that Mr. Gobeil was about the only man in Canada who handled wild strawberry preserves. He had tried to get it from various other concerns but he was unable to do so. There are some other companies in Canada, like the Canadian Cannery, who handle domestic strawberry preserves, but there were no other concerns that handled wild strawberry preserves other than Mr. Gobeil, and our dining car department tell me we have had a very big demand for those wild strawberry preserves.

The CHAIRMAN: I think you are cleared, Mr. Gobeil—not guilty.

Mr. GOBEIL: I would ask Mr. Vaughan if the customers of the company seem to have been satisfied with the preserves. I would like to know if there has been any complaints.

The CHAIRMAN: I am advised by the President that those strawberry preserves are very popular. Mr. Vaughan, you did not seem to get the point of Mr. Gobeil's question. Mr. Gobeil's question was: was there any political interference on his part to get this contract for his brother?

Mr. VAUGHAN: Not that I know of.

Mr. DUFF: There is no political interference in your department, or there has not been.

Mr. VAUGHAN: We say not.

Mr. GOBEIL: I wish to say I had nothing whatever to do with the contract with the Canadian National.

The CHAIRMAN: I think you are perfectly cleared, Mr. Gobeil.

Mr. KENNEDY: I should like to ask a question, Mr. Chairman, before we adjourn. I have been reading this analysis of the 1931 operations as compared with 1930, page 3, and the statement regarding the revenue ton mile per mile of road (thousands), and the revenue passenger mile per mile of road, Canadian National is 886, and the Canadian Pacific 1,000, and the Class 1 roads of the United States 1,852. Then, the passenger is 60, 82 and 129. Now, considering the trouble they have had over in the United States, does it look as if we will ever get this trouble in connection with railway deficits; or is the road with a small amount of traffic per mile of road, in just as good a shape as the road with a greater density per mile of road. That seems to be a first class problem.

Sir HENRY THORNTON: The answer to that is this: the figures which you have given and which are in this report on page 3, really represent traffic density on the Canadian National, the Canadian Pacific, and certain railways in the United States. The Canadian Pacific, as compared with the Canadian National in general, being an older railway, serves a more densely populated area than the area served by the Canadian National, which is only another way of saying that a large percentage of the—at least a measurable percentage of the mileage of the Canadian National Railways has been built for settlement

and development purposes, in advance of that settlement, and we will not reach the traffic density of the Canadian Pacific until a settlement and development on our lines gets up to their line. The Canadian Pacific has been in existence as a railway, I suppose, since the early eighties. When that railway was built it chose a part of Canada through which to build its line, which represented an area which would develop the most quickly. At that time the agricultural possibilities of the Northwest of Canada were relatively unknown, and it is probably not unfair to say that the discovery and development of the Marquis wheat, which is a form of wheat which thrives in northern territory, was at the time the Canadian Pacific was built, unknown.

Now, the discovery of the Marquis wheat and the future history of that type of wheat really, in my judgment, made the Northwest of Canada the agricultural country that it really is; but to go back to your question. We will not have the same traffic density as the Canadian Pacific; we will be under that disability of traffic density or inferior traffic density until such time as development of the country gets up to a large percentage of our mileage.

Mr. KENNEDY: What about the troubles of the United States class 1 roads? I understand that situation regarding the Canadian National Railways and the Canadian Pacific Railways; but what about the United States roads where the traffic is nearly twice as great as the Canadian Pacific, and yet this new finance reconstruction association has loaned them millions and millions of dollars. What is the difficulty?

Sir HENRY THORNTON: Briefly speaking about the railway problem in the United States, these class 1 railroads in the United States enjoy a larger traffic density than either the Canadian National or Canadian Pacific, because they are built through a much more densely populated country. They are suffering from the same conditions which afflict the railways of Canada to-day. And I say that if you take the railways of the United States, particularly the class 1 roads, you will find it cost more to build, and more to operate, relatively speaking, and all factors considered, than is the case with our Canadian railroads. I do not know that I can discuss the question very much in detail, because it is purely an academic question; but they are suffering from simply a recession of traffic density. They were probably built, the class 1 railroads in the United States were probably built to carry a much greater traffic density than is the case with our Canadian line, and they are suffering accordingly, and suffering more. Can you throw any further light on that question, Mr. Fairweather? You have studied it.

Mr. FAIRWEATHER: Yes, I have studied it. Of course, this is a very technical problem. I think what you had in mind, sir, is this: is there any hope of ever getting out of what looks like a terrible financial mess. Well, the answer to that is this: It is bound up in the development of Canada, of course. But I can say this, if the Canadian National Railway could ever succeed in reaching a traffic volume equal to that which we enjoyed in 1928, 1929 and 1927, those three years, if we ever got back to that, or roughly to that traffic volume, there would be no railway problem as far as the Canadian National is concerned.

At such time I would be willing to say that we would produce available for interest at least \$75,000,000 per year, if we had to-day the traffic of 1928, the increase arising out of the fact that we would progressively increase the operating efficiency every year, even during the years of depression. When you put a critical analysis upon the operations, you find that by the measuring stick of absolute operating efficiency, we have been increasing our efficiency. It is a bit technical, I will admit but it is something that is my job, and I follow closely the operating efficiencies of all roads I can put my hands on. The increase in operating efficiency of the Canadian National has paralleled the growth of increase in efficiency in class 1 roads in the United State, so long as

they had this traffic density, but here is an interesting thing: the Canadian National through this period of depression, succeeded in increasing its absolute operating efficiency, and class 1 roads in the United States were not able to do it. In other words, our operating efficiency, measured by the units by which the technical man measures operating efficiency, has been increasing; and if we get the traffic of 1928 back, we would have at least \$75,000,000 available for interest charges.

Mr. McGIBBON: I should like to ask you a question, Mr. Fairweather. What savings could be made in the operating expenses of last year?

Mr. FAIRWEATHER: What savings. Well, we made a very great saving.

Mr. McGIBBON: I am asking you how much.

The CHAIRMAN: Can you answer that offhand, or will you want time to consider it?

Mr. FAIRWEATHER: I have the figures here, yes.

Mr. McGIBBON: I will even put it generally this way. Take the savings in operating expenses subtract from that the saving which is due to the cutting off of freight, which means the cutting off of wages, cutting off coal, cutting off oil, that will have to be again replaced, then you get your net saving.

Mr. FAIRWEATHER: Well, the point about that, doctor, is simply this: I admit this is a highly technical problem, and to lead you through the ramifications of it would take weeks, but I say this, and when I made the statement about the \$75,000,000, I made it having regard to all the circumstances. But in any case, the operating efficiency of which I spoke, has nothing whatever to do with these curtailments of services in times of depression. It is in such measures of operating efficiency as this, the pound of coal consumed per thousand gross ton miles—that is a technical figure, and tells a big story—and another thing is the car miles per car day; another thing is the ton behind the locomotive, and things like that. Now, it is in matters like that that we have increased our efficiency.

Mr. McGIBBON: One is theory and the other is fact. Your comparable savings have been expressed in dollars and cents, and there is no such sum as \$75,000,000 in your report. Now, there is a lot of that will have to be replaced. You take a year and you say you had a saving of \$20,000,000 in 1926. What about the coal and wages and oil, etc., and such sums as that that must be replaced when you reach prosperous times.

Mr. FAIRWEATHER: Yes, but when you replace that, you replace that much traffic also and I am saying that the measure of efficient operation is the degree of success in getting the maximum net revenue out of a given volume of traffic, and I say measured by that test our efficiency has increased year by year.

Mr. McGIBBON: It is not reflected in this year's.

Mr. FAIRWEATHER: I would like to see any enterprise—I challenge any enterprise, railway, steamship company or industry, that faces a decrease in its gross business of close to 50 per cent, and shows an increase in net revenue under those conditions.

Mr. McGIBBON: You do not have to go very far.

The CHAIRMAN: Now, before we do anything further, I would like to ask a favour of the members of this committee, and that is to read an editorial which appears in to-day's Journal, between now and our next session, because it contains some very constructive thoughts.

Mr. STEWART: I should like to ask a question about Mr. L. B. Holland, his expenses for the last half of 1930.

The CHAIRMAN: That will be all produced, Mr. Stewart.

Mr. STEWART: I should like to have the salary paid to G. G. Playfair, the personnel investigator, I believe.

Mr. POWER: That was given yesterday in the House, I understand, in answer to a question respecting Mr. Playfair.

The CHAIRMAN: We shall adjourn until four o'clock.

Mr. BEAUBIEN: In view of the fact that you made a statement yesterday that you were anxious that the committee should terminate to-day—I think I interpreted that, Mr. Chairman—

The CHAIRMAN: That was a pious wish.

Mr. BEAUBIEN: I had a question on the order paper for some time, and I should like to have it now. Should I repeat that question so there will be no mistake about it. I should like to know what the Canadian National has spent on the repairs to the suite of the Prime Minister in the Chateau Laurier, and the number of rooms that they took, and the rent that is paid.

The CHAIRMAN: I understand that the question is ready for delivery, but that—

Mr. BEAUBIEN: May I finish my statement, Mr. Chairman. The Minister of Railways was very anxious to jump with the letter the other day and read it, and I am just as anxious for the information, so it would go out to the public.

The CHAIRMAN: As far as I am concerned, they are here for disposal.

Mr. BEAUBIEN: I make this statement while you are on your feet. A lot of questions have been asked after mine, and answers have been given, and I should like to know—

The CHAIRMAN: I would just like to make this statement: there is no disposition on the part of anybody to shut off the answer to any question, and that insinuation is quite unworthy of the honourable gentleman. I should like to say further—

Mr. BEAUBIEN: When shall we get it?

The CHAIRMAN: Let me make a statement. The answer to the question concerns the Prime Minister; the Prime Minister is personally concerned about this, and he has requested the opportunity to be present when this thing is discussed, and as far as I am concerned, he is going to be here.

Mr. GRAY: I think he will want to be here, if the rumours are correct.

The CHAIRMAN: Sir Henry Thornton is prepared to take full responsibility for everything that has been done.

Mr. DUFF: It is a good thing Sir Henry has broad shoulders.

Mr. BEAUBIEN: We will decide that. When shall we take it up?

The CHAIRMAN: When the Prime Minister can get here. I suppose he has a few chores to do every day.

Committee adjourned until four o'clock.

AFTERNOON SITTING

The Committee resumed at 4 p.m.

The CHAIRMAN: Dr. McGibbon, among the numerous questions which have been asked was a question asking for a list of those taking part in broadcasts and the salaries paid within the last two years. Now, to my surprise, the list for 1931 covered some 1,200 names. It is a very large and a very substantial list, and it is available. The list for 1930 is still larger. It would cost a good deal of money, and, I am informed, a great deal of time to prepare it, and I was wondering if you would be satisfied with the list for 1931 as now presented.

Mr. MCGIBBON: I would like the two years.

Mr. MACMILLAN: Twelve hundred different names?

Mr. FAIRWEATHER: There may be repetitions.

Mr. MACMILLAN: How many are there in 1931?

The CHAIRMAN: Over 1,200.

Mr. MCGIBBON: What is the total amount of money?

The CHAIRMAN: We can get that for you.

Mr. FAIRWEATHER: It has been submitted in evidence. This is just a detailed statement of each individual case.

The CHAIRMAN: For instance, for each broadcast which was given—I am taking at random the very first names on the list for the year ending December 30th, 1930 which is coming in in 1931—the names of three persons. This is a local program, and the names of the first three are Galvin Winter, \$120, Iris Kirkwood, singer, \$15; James Todd, \$5. The statement is very full and very detailed in that respect.

Mr. FAIRWEATHER: The total talent in 1931 amounted to \$59,941.27, and in 1930, \$95,073.82.

The CHAIRMAN: Of course, if you insist on it, doctor, I suppose we will have to try to struggle with it. I will leave it for your consideration whether you want to ask for this or not. I have asked the indulgence of the committee, and I am putting it before you in their behalf.

Mr. KENNEDY: I would like to ask a question. How much additional traffic could the C.N.R. handle without requiring new large capital investment in the way of terminals or other capital expenditures?

Mr. FAIRWEATHER: If you base it on the 1931 traffic I should say that without any additional large expenditure we could handle the volume of traffic $2\frac{1}{2}$ times the volume of 1931—between $2\frac{1}{4}$ and $2\frac{1}{2}$ times the volume of 1931.

Mr. KENNEDY: How do you think that will work out in your revenues; how will it affect your expenses?

Mr. FAIRWEATHER: I would say that the Canadian National at the present time is in the position that for every dollar of additional revenue we get we would have about 60 cents of that which would be net profit available for entry. We could handle that revenue at an expense of 40 cents and 60 cents would be profit. The reason for that is that we are down to bare bones.

Hon. Mr. CHAPLIN: In referring the other day to business done through the New York office, would Sir Henry Thornton tell us whether any of those receipts were from steamship business and what percentage was from American lines, or, of the amount given what percentage belonged to Canadian lines?

Sir HENRY THORNTON: I could not answer that offhand. I could get the information for you.

Hon. Mr. CHAPLIN: Was there any boat business in that?

Sir HENRY THORNTON: I could not answer that offhand. I would have to get that information.

Hon. Mr. CHAPLIN: I would be glad to have that information. If there is any American lines business I would like to have allocated the net amount that came to the Canadian railways.

The CHAIRMAN: It is understood that this figure, \$502,353, is the gross takings of that office.

Hon. Mr. CHAPLIN: That is what I wanted to find out.

Sir HENRY THORNTON: That is right. I will have to get the detailed information.

Mr. FAIRWEATHER: Mr. Duff asked a question and I will give you the answer:—

In response to Mr. Duff's question, the following is a statement of the steam coal shipments by rail from the different companies in the Maritime Provinces, during the year 1931:

Nova Scotia—

	Net Tons
Acadia Coal Company..	167,596
Cumberland Ry. & Coal Company.. . . .	153,304
Dominion Coal Company..	12,302
Bras d'Or Coal Company..	18,643
Indian Cove Coal Company..	16,449
Inverness Ry. & Coal Company..	20,847
Greenwood Coal Company..	15,024
Intercolonial Coal Company..	102,940
Maritime Coal, Ry, & Power Company.. . .	22,867
Milner Coal Company..	595
Standard Coal Company..	2,503
Victoria Coal Company..	27,524
	<hr/> 560,594

New Brunswick—

Avon Coal Company..	1,983
W. B. Evans..	3,744
Minto Coal Company..	43,847
Miramichi Lumber Company..	15,012
Welton & Henderson..	8,765
	<hr/> 73,351

Total shipments by rail Maritime Provinces.. . . . 633,945

The CHAIRMAN: Before you proceed, it is plain that the following is a statement of steam coal shipment by rail. Is this intended to be a statement of the purchases by rail shipments for the railway itself?

Mr. FAIRWEATHER: This is O.C.S. coal shipped by rail which they deliver to the Canadian National Railways for its own purpose.

In addition to the above the Dominion Coal Company shipped to us, by water, from Sydney the following:

Montreal—Sydney..	305,679
Levis—Sydney..	168,687
Levis—Acadia..	23,478
Quebec—Sydney..	25,012
Chicoutimi—Sydney..	22,266
	<hr/> 545,122

Total all shipments from Maritime Provinces 1931.. .1,179,067

It is difficult to estimate our requirements for 1932. Our consumption is running from 20 to 25 per cent less than it was a year ago, so that our deliveries from the various mines in Nova Scotia and New Brunswick must necessarily be reduced to the extent that our consumption drops.

Mr. POWER: All those purchases were from mines, were they not?

Mr. FAIRWEATHER: Yes.

Hon. Mr. EULER: I would like to ask whether if this coal were not purchased in the Maritime Provinces the railway would avoid a substantial loss

and how much? That is, I presume some Maritime coal is used in the Province of Quebec, possibly elsewhere, coal which perhaps could be purchased at a lower price.

Sir HENRY THORNTON: In other words, Mr Euler's question is, could that coal, or what proportion if any could be purchased elsewhere at less cost?

Hon. Mr. EULER: That is what I want.

Sir HENRY THORNTON: Mr. Vaughan, can you answer that?

Mr. VAUGHAN: All the coal that comes into the Province of Quebec, as well as the Province of Ontario could be purchased at less cost if we import coal rather than use Nova Scotia coal.

Hon. Mr. EULER: Could you give me the amount?

Mr. VAUGHAN: Roughly from \$300,000 to \$500,000.

Hon. Mr. EULER: And does the same condition apply in the western provinces?

Mr. VAUGHAN: Yes, to pretty much the same extent.

Hon. Mr. MANION: Do you mean there is a difference of from \$300,000 to \$500,000 that would be saved.

Mr. VAUGHAN: Yes, we have furnished figures to the Dominion Fuel Board. The Alberta coal situation is different. We take American coal into Fort William and use it as far as Winnipeg.

Mr. STEWART: I do not want anything like that to go out unless it can be substantiated. Do I understand you are losing from \$300,000 to \$500,000 because you are using Alberta coal instead of buying coal you can send in from the United States?

Mr. VAUGHAN: Yes, sir.

Mr. STEWART: Between \$300,000 and \$500,000?

Mr. VAUGHAN: Yes, more than that.

Hon. Mr. EULER: So that the National Railways is losing as a business proposition, perhaps a million dollars by reason of buying Canadian coal in preference to American coal.

Mr. MACMILLAN: Does not the same thing apply to the C.P.R.?

Hon. Mr. EULER: Well, we are dealing with the Canadian National.

The CHAIRMAN: Of course this opens up quite a question, there is no doubt about it. Mr. Vaughan's reply certainly opens up a big question. We have this coal down there.

Mr. MACMILLAN: I am surprised at Mr. Vaughan's answer, that as a result of having to buy Alberta coal on western lines they are losing from \$300,000 to \$500,000.

Mr. GRAY: That is what he said.

Mr. VAUGHAN: It is quite true. That can be very easily checked up.

Hon. Mr. MANION: Might I say this, that Mr. Vaughan representing the company, and through the President, has been protesting ever since we got into power, to the effect that they have been losing considerable money, in fact I think the round figure was used, of a million dollars. The same condition has been existing for years and naturally the Government was anxious—just as the late Government was—to have Canadian coal used as much as possible. In fact the Government has gone so far—and the late Government did also—as to give subsidies for the use of both western and eastern coal.

Hon. Mr. EULER: It is only fair, I think, that the public should know that perhaps a millions dollars of a loss on the Canadian National Railways is not by reason of the operation of the railways but by reason of National purposes, if you will.

Mr. STEWART: The C.P.R. are using our coal all the way through to Kenora. Now, is the C.P.R. losing it or the people of Canada?

Hon. Mr. MANION: That is a point that is worth remembering.

Mr. MACMILLAN: I would like to know from Mr. Vaughan how far west American coal is taken, that is, how far west American coal taken to Fort William will travel before it comes into competition with Alberta coal?

Mr. VAUGHAN: It will travel pretty nearly to Regina, Kipling, Dauphin and all those places—

Sir HENRY THORNTON: But it doesn't. It would, but it doesn't.

Mr. VAUGHAN: It doesn't.

Mr. STEWART: There are a great many other items entering into this controversy; for instance, the people who ship the coal from the United States, who own the mines and who own transportation lines, shipping it in here at a loss; they are not competing; they are not shipping it in here in fair competition with Canadian miners and, consequently, it is not fair to say that the Dominion Government is losing that amount of money.

Mr. GRAY: I do not think anybody is objecting to the policy that the railway has adopted.

The CHAIRMAN: The statement left baldly gives rather a bad impression.

Mr. CANTLEY: There is still another question involved, and that is how much money has the Canadian National Railways invested in mining property in the United States and how much money they have spent in remodelling and bringing up to date those properties and what that coal is costing in the United States. If we are going to go into this question I submit we should get the whole picture and not a portion of it.

Hon. Mr. MANION: Isn't there also another factor involved, and it is implied in General Stewart's remarks, that the Canadian National and the C.P.R. and all the rest of us owe a duty to utilize Canadian products so far as we can. You cannot absolutely put it on a plain dollars and cents standpoint. There is a certain amount of it which cannot be but a duty, a reasonable duty, a matter of loyalty to our country. I am not speaking of the Canadian National any more than the Canadian Pacific. But all roads, and all of us should really insist, so far as we can, on utilizing Canadian goods.

I do not think that is quite fair to say, even taking the figures given by Mr. Vaughan, that the Canadian National are losing to the extent of a million dollars, because, as has been pointed out, the Canadian Pacific, which is not a Government road, has been carrying coal right down as far as Kenora and utilizing it in exactly the same way. So it is well to take into account all the different angles of the question. At the same time, I do not question for a moment that the Canadian National, which uses more Canadian coal, are losing some money, but from the standpoint of utilizing Canadian coal and less American coal I think we have got to take into account the whole picture as far as possible.

Sir HENRY THORNTON: I have always felt that we did owe some obligation and it is a matter of judgment as to what extent that should operate to mines that have already been established in the Maritimes, as well as industries. Now, whether that justifies us in losing a million dollars, or half a million dollars or a million and a half should be open to debate; but the policy of the company has always been that we did owe a certain obligation to the mines in the Maritimes because they were opened and established; populations have been established in the different communities; those populations consume a certain amount of food and goods of different sorts which, in turn, create traffic for the railway, and to that extent we did feel there was an obligation owing to the

Maritime mines, and we have tried to pursue that policy which, unquestionably, has resulted in some additional expense.

The CHAIRMAN: Might I ask a question. Isn't it true that the bituminous coal mine industry in the United States is in a distressed condition, and that you can buy coal down there in the Virginia field as low as eighty-five cents a ton?

Mr. VAUGHAN: That is quite true. We are buying considerable coal there at sixty-five cents.

The CHAIRMAN: Sixty-five cents,—worse than I thought it was. Well, they will soon be giving it to you.

Mr. BEAUBIEN: I believe it is a better coal than the Nova Scotia coal. I am under the impression that the Nova Scotia coal, as far as steam coal is concerned, is inferior to the coal that the Canadian National can import from the American side.

The CHAIRMAN: Let some technical man say that.

Mr. BEAUBIEN: I am asking a question. I am looking for information.

Mr. VAUGHAN: May I say, in response to that, generally speaking the Nova Scotia coal which we have been purchasing is fairly satisfactory from the railway standpoint.

Mr. BEAUBIEN: How about the Alberta coal?

Mr. VAUGHAN: The Alberta coal is all right.

Mr. POWER: This opens up another question. Would it be possible to find out from the officers of the Canadian National how much we are being penalized for our patriotism by insisting on Canadian purchases throughout. After all, that is a matter of policy. I suppose all of us are committed to the policy and endeavour to use, as much as possible, Canadian goods. Whether it be a good policy or otherwise, is not for me to say, but we are all committed to it anyway. If we find in looking into the accounts of the Canadian National Railway that they are penalized one million dollars in coal, and perhaps a million or two million in something else, I think it would give some justification to the road by saying that they are doing that as a matter of national policy.

The CHAIRMAN: Well, I think we ought to. I quite agree with that proposal. I do not think you will find a heartier supporter than I. We do not want to do any injustice to them on that point, or on any other.

Mr. POWER: Is there any way of getting that information? I suppose it can only be arrived at by way of guess.

Mr. VAUGHAN: I do not think we are suffering to any great extent except in respect of coal, because we check up everything very carefully. I do not think we are affected very much except in respect to coal.

Sir HENRY THORNTON: What would be the situation with respect to steel rails from Germany, for instance, or Belgium?

Mr. VAUGHAN: We could import steel rails from Germany, but we could not import rails from England on account of laid down cost including duty. We could import from some of the continental countries. Generally speaking, there is nothing that we cannot buy in Canada outside of coal that is higher than the cost of the imported article plus the freight and the duty, etc.

Hon. Mr. CHAPLIN: I would like to ask Mr. Vaughan how his freight cost is figured from Pennsylvania as compared with points in Alberta on the same mileage. A good deal depends, it seems to me, on whether the freight rates coming east from Alberta are charged on the same mileage basis as coming from Pennsylvania west.

Mr. VAUGHAN: Well, in connection with that, Mr. Chairman, all our imported coal going west is delivered by water at Fort William, so if we take the cost as given to us by our transportation department of moving coal west from Fort William a given distance as compared with the cost from Alberta to the same points in Manitoba and Saskatchewan.

Hon. Mr. CHAPLIN: You have got to figure this, that you can only lay that coal in at a certain period, and you must do that in the summer time.

Mr. VAUGHAN: Oh, yes.

Hon. Mr. CHAPLIN: And bank it there.

Mr. VAUGHAN: We take that all into account. We take the cost of handling it and storing it and the interest on the coal we have to carry over the winter time, and I was going to say if any of you gentlemen want detailed information we can give it to you; we can give you the full data. Dr. Camsell has all this information.

Hon. Mr. MANION: The coal going up the lakes from Pennsylvania to the head of the lakes goes up for about twenty-five cents a ton?

Mr. VAUGHAN: Yes, it is lower. I may say that the cost of American coal delivered at Fort William duty paid is approximately the cost of Alberta coal a thousand miles west of Winnipeg.

Hon. Mr. MANION: Of course, there is another point too that I think we should remember in pointing out those things, that the Canadian National is in exactly the same position as other consumers of goods in the country in utilizing Canadian goods. I think we are all on that same basis whether we are small purchasers or large purchasers.

Mr. POWER: If this were a private concern, and the shareholders were criticizing the operating expenses and the Chairman of the Board were to say, well, I can cut off a million dollars if I buy American goods, why ninety per cent of the shareholders would say, Well, for Heaven's sake buy American goods.

The CHAIRMAN: Yes, quite properly.

Mr. POWER: I do not say that should apply in this instance, but there is the comparison that we should make.

The CHAIRMAN: I have no quarrel with that position you are taking. It is a question of policy whether we should continue to use this coal or not.

Mr. CANTLEY: Before you leave the coal question, I want to point out that since the Grand Trunk Pacific was taken over the railway company has spent about half a million dollars in remodelling and renovating the colliery in the United States, and to-day they can buy coal for one-half the cost of production in that colliery. These facts must be taken into consideration. You are not saving, you are losing half a million dollars, as my good friend from Ontario points out.

Hon. Mr. EULER: Mr. Vaughan told us that.

Mr. VAUGHAN: The cost of producing coal from our mines, that is, the average cost in 1931, including interest, depletion and depreciation was about \$1.07 a ton.

Mr. CANTLEY: I will ask you one question. Isn't it a fact that last year and the year before you were furnished coal from mines alongside of your own at less than the cost of your production?

Mr. VAUGHAN: I think that is right, a few cents less.

Hon. Mr. MANION: How far west do you consider that you can economically utilize Maritime coal in competition with American coal?

Mr. VAUGHAN: I would say about as far as Mont Joli.

Mr. POWER: You would not even bring it down by boat?

Mr. VAUGHAN: We can import coal cheaper by water to any of the St. Lawrence ports to-day either from the United States or from England on account of the depreciated value of the British pound and the low freight rates obtaining.

Mr. CANTLEY: Mr. Chairman, I make this suggestion: If you are going to buy the cheapest class of material you can buy irrespective of its origin, whether it be Germany or any place else, you had better drop the name Canadian National.

Hon. Mr. EULER: Mr. Chairman, I started this thing. I was not criticizing the policy unnecessarily here at all. The thing I want to know is if it costs a million dollars more to buy Canadian coal than foreign coal, it does not seem to me to be quite a fair charge against the Canadian National Railways as a business proposition; that is all.

The CHAIRMAN: Well, I am inclined to agree with you, Mr. Euler, if your premises are correct.

Hon. Mr. EULER: I am only taking what Mr. Vaughan says.

The CHAIRMAN: Quite so, and I am assuming his figures are correct.

Hon. Mr. MANION: It has been the custom, of course, for all time; it isn't any new policy.

Mr. KENNEDY: I would like to ask a question regarding automobiles. Has the automobile industry or the motor bus business and the automobiles carrying passengers robbed the railway of as much business as the automobile industry has created for the railways?

Mr. FAIRWEATHER: Taking it all together, Mr. Kennedy, I would say this: I have made an attempt to study that matter and my own opinion is this—that taking it by and large the automobile industry is so interwoven with the general industrial prosperity of this continent that it has probably created more traffic for the railways than it has destroyed. That answers your question?

Mr. KENNEDY: Yes.

Mr. FAIRWEATHER: Mr. MacMillan asked:

How many men are employed in the colonization department in Europe at the present time? Answer: 17.

The CHAIRMAN: Now, gentlemen, Mr. Beaubien has been exceedingly anxious to get some information with respect to the Canadian National Hotel in Ottawa. I endeavoured to get Mr. Bennett to come here this afternoon but a debate has developed in the House over the Civil Service Committee's report and an amendment has been moved I am informed, and he does not think that he can leave the House, but every effort will be made to have that matter brought up to-morrow morning first thing.

Mr. BEAUBIEN: I do not want it to go out to the country that I am trying to throw any reflection on the Prime Minister of Canada. I don't want that to be the interpretation. We have been asking the Canadian National Railway officials for information on things all over the world; we have been criticizing this expense and that expense. If the Prime Minister chooses to come before the Committee all well and good, but could not the information go out, and then if the Prime Minister wants to come before the Committee after we have received the information let him do so. I do not want to throw reflections on anybody. There isn't any reason why the information should not be given out. There is no reflection sought to be cast on anybody.

The CHAIRMAN: Except this, Mr. Beaubien, if any statement is made before this Committee by the Canadian National Railway officials with respect to the Prime Minister and his apartments in the Chateau Laurier, Mr. Bennett's statement is going out to the Press at the same time.

Mr. BEAUBIEN: Well, then, Mr. Chairman, in that regard why was the Minister of Railways so ready the other day, before the information ever came down, to read a letter here, and when I asked him the reason why he was reading that letter without the information being brought down he said that he was doing it because he wanted to do it.

Hon. Mr. MANION: I will just answer that question myself. The very fact that my friend is asking the question regarding the Prime Minister's apartment implies that there is some questionable information about it.

Mr. BEAUBIEN: Not necessarily.

Hon. Mr. MANION: Why then, did you not ask, for example, about some other body's apartment than the Prime Minister?

Mr. BEAUBIEN: Why has this committee been inquiring into the house of the president of the National Railways. This is an expenditure of the Canadian National Railways.

Hon. Mr. MANION: I am not objecting.

Mr. BEAUBIEN: We have been trying to get it for days.

Hon. Mr. MANION: I am not objecting to my friend asking for information about the Prime Minister's apartments; but when he asks that, and the papers get it, that the Prime Minister's apartments are being inquired into, I placed the responsibility exactly where it belongs. Sir Henry took the responsibility in a letter unsolicited, which he wrote to me a year and a half ago, telling me all about it, and I put that letter on record. Now, when the figures are given in regard to the Prime Minister's apartments, I think it is only fair, as the Chairman has said, that the Prime Minister, who wishes to appear, should give us his statement in reply to that at the same time.

Mr. BEAUBIEN: I quite agree with that. I agree with what the Minister has just said. But the information that went out in the papers was given by the Minister before we had any information—

Mr. GRAY: We do not know whether there is anything to explain.

Hon. Mr. MANION: Does my friend object to Sir Henry taking the responsibility?

Mr. BEAUBIEN: I do not object to anybody taking responsibility. What I am looking for is information that I have asked for just the same as any other member.

Hon. Mr. MANION: You are going to get the information, but the Prime Minister of this country, whose affairs have been enquired into rather extensively, I think has a perfect right to come before this committee at the same time that he is being enquired into.

Mr. BEAUBIEN: So the Minister had a perfect right to hold the letter until he had the information.

Hon. Mr. MANION: I did, if I wished, but I chose to give it.

Mr. BEAUBIEN: You do not choose to give anything in co-operation; you chose to do anything you liked.

Hon. Mr. MANION: Would my friend tell me, then, why he went down to Montreal and tried to dig out information about—

Mr. BEAUBIEN: Who?

Hon. Mr. MANION: You.

Mr. BEAUBIEN: I went to Montreal?

Hon. Mr. MANION: Yes.

Mr. BEAUBIEN: That is my business, and none of yours.

Hon. Mr. MANION: Why would my friend here take a trip down to Montreal and try to dig out information on the inside about the Prime Minister's apartments. Come out fairly and squarely—

Mr. BEAUBIEN: There were two men went from this committee and tried to get information—

Hon. Mr. MANION: It was moved by this committee that they go, and so it was quite a proper thing.

Mr. BEAUBIEN: I am a member of this committee as well as anybody else.

The CHAIRMAN: I think this discussion has gone far enough. Now, we shall turn to something else.

Mr. GRAY: Let us have the facts.

Mr. POWER: Let us quit stalling. Give us what is asked for. We have had stalling enough.

The CHAIRMAN: There has been no stalling; I object to that.

Mr. POWER: We cannot get the information, and we want it. We will stay here all summer until we get it.

The CHAIRMAN: It is going to be produced when the Prime Minister can come.

Mr. BEAUBIEN: When?

Hon. Mr. MANION: To-morrow morning.

Mr. BEAUBIEN: I rise to a point of order. The way this thing has gone, there seems to be an indication by the Chairman and the Minister that I am trying to throw some reflections on the Prime Minister. I want to explain that I am not, and the Chairman will substantiate that I said when I asked the question the first time, that these rumours were going out, and that I wanted to have the real facts before the public, so the public would know them; because there are sometimes too many rumours against public men.

Hon. Mr. MANION: My friend is talking about the facts going out; they are going to go out.

Mr. MCGIBBON: I want to make this explanation in answer to Mr. Power and the others. I brought up this question in the House last year; I waited on purpose until the President, Sir Henry Thornton was here; I never brought it up in his absence. I thought that was the fair way to do it, and I think the Prime Minister is entitled to that courtesy, too.

The CHAIRMAN: He is going to get it, there is no mistake about that.

Mr. GRAY: Let us have it. There is no objection.

The CHAIRMAN: Gentlemen, we have nothing now apart from the balance sheet of the steamship offices; and of course I am very anxious to bring this enquiry to a conclusion as soon as possible, and I should like to take it up now, as Sir Henry Thornton has stated the steamship officers are here, and we may get through with them this afternoon.

Mr. GRAY: Before you proceed with the steamships, if you do not mind, I want to say this without rancour at all. I was not present at the House on Monday, but I have read Hansard of May 9th in which some statements were made by the Minister in reply to the Leader of the Opposition. I should like Mr. Vaughan to be heard before we get into some other matter, to find out exactly if I am correct. You will find on Hansard, at page 2951 the following comment in a statement by the Hon. Minister of Railways—

Hon. Mr. MANION: Last Monday's Hansard?

Mr. GRAY: Do you object?

Hon. Mr. MANION: No.

Mr. GRAY: I won't read it all, just a few extracts.

Hon. Mr. MANION: It would take you 20 minutes.

Mr. GRAY: Yes. "The fact remains that when tie contracts—" in reply to the Leader of the Opposition, the Minister said, "the fact remains that when tie contracts were let by the later government, practically none were let to Conservatives. I submit this is not a Conservative road; this is not a Liberal road; this is a national road. That is why when we got into power I did submit to Sir Henry Thornton that as of the tie contracts let in the past, only about ten per cent were let to Conservatives, it was but fair that these contracts should be divided between different classes of people politically; and they were."

Then on page 2952:

I do not believe it is fair under this government to buy entirely from Conservatives, any more than it was fair under the late government to buy entirely from Liberals. To the extent of at least 90 per cent the ties bought under the late government were obtained from Liberals. I will admit quite frankly that under this government half or a little more were bought from Conservatives; I say I admit that quite frankly, because I do not believe this national railway should be used, as I believe my right hon. friend used it in the last year or two before he got out of power, as a political club.

And just one further statement, on page 2953:

As I have already stated, 84 of these contracts, or in other words 25 per cent, were let by the Canadian National management without consultation with me in any shape or form. When I checked up the names later I found that the vast majority of them were Liberals.

The CHAIRMAN: Fighting Liberals.

Mr. GRAY: "When I checked up the names later I found that a vast majority of them were Liberals." What I want to know is this, because I do think this committee should know, is it the policy of the Minister and of his government to go into those questions, and if we have it in tie contracts, as he says he has to check up those and go into the contracts, to ascertain whether or not they are Liberals or Conservatives, and to thereupon give instructions, or in some way pass instructions to the officers or purchasing agents of the Canadian National Railways. Is that the considered policy of the government? And if so, I think we should know, and if it applies to contracts for ties, does it apply, for instance, all down the line?

Hon. Mr. MANION: Well, I shall answer the last question first. We have never heard of any other purchases down or up the line; nothing whatever to do with it. The reason I was checking up some of the names about the tie contracts, was that there has been a good deal of fuss kicked up about it. I personally think it is much ado about nothing. There was no harm done to the Canadian National. I did not even accuse the late Government of doing any harm as far as ties are concerned, because the Canadian National gave the contracts and set the price for the whole business themselves. I think this is something that should go out to the public. I do not think there was any loss from the dollar and cents standpoint under the late Government or under ours. The only charge I ever made about ties by the late Government, was that I considered—I do not want to get into this controversy again,—I considered that they bought more supplies than they required in 1929. I do not want to go over that again. That was the only charge I made. Since there were so many questions asked about ties from people all over the country who supply ties, I naturally, as Minister of Railways, asked for a list of tie purchases. There was a list sent to me by Mr. Vaughan of the people who were producing ties, and in a number of cases I submitted them to the

members from different sections of the country. I said, "What are the politics of these people?" because I was having charges made as I understand was the late Government, that their people were not getting fair treatment. There were a number of charges made, and I enquired from people in the neighbourhood in which these ties were bought, as to the politics of these people, and in reply to that I got those answers.

Mr. GRAY: Quite true; the Minister has been quite frank on different occasions. What I want to know is, if in checking those he changed the policy, so that they will be given at least fifty-fifty.

Hon. Mr. MANION: I did not change the policy; I suggested that it should be changed.

Mr. GRAY: Well then, we take it you did make a change in the purchasing arrangements of the Canadian National.

Hon. Mr. MANION: No, I did not make a change; I submitted the idea to Sir Henry that, according to my information, ties were being purchased largely from Liberals. I repeat, this is not a Liberal road, or a Conservative road, or a Progressive road; this is a national road. I should like to repeat that it did not cost the Canadian National an extra dollar whether they bought from Liberals or Conservatives.

Mr. GRAY: You say in checking over the list—

Hon. Mr. MANION: Yes, frankly; I do not see anything wrong.

Mr. GRAY: I am merely getting the facts.

The CHAIRMAN: Surely.

Mr. GRAY: This is the stand you are taking. You say you are not extending that to anything in connection with any other purchases than ties.

Hon. Mr. MANION: I have not interfered in any shape or form politically with the Canadian National. I think I will say further, I have never made a proposition, and I challenge any of the officers of the company to contradict me, I have never made any proposals of any kind to the Canadian National since this Government came into power, that would economically, cost the Canadian National one additional dollar.

Hon. Mr. EULER: I am very much interested in the public ownership of those roads. I have always held—I think the Government has held, and the people of Canada have held—that you cannot make a success of the National Railway if you allow politics to creep into contracts of the railway. The giving of contracts in the matter of ties may be only one. I am not going to say anything with regard to the former Government and its policy, except this; while I was a member of that Government for four years, I absolutely had no knowledge whatever of any contracts—

Mr. CANTLEY: You took care you did not know anything about it.

Hon. Mr. EULER: I would say further, in all kindness to my friend the Minister, he made the charge that he was doing just the reverse of what Charlie Dunning did. When he used the words "Charlie Dunning," Mr. Dunning was here and he was asked very definitely if he had used any influence in the purchase of ties for the National Railways, and he said no, and my hon. friend sat there and never contradicted him.

Hon. Mr. MANION: I did not think it was my duty to cross question Charlie Dunning. Charlie Dunning was asked to be here in regard to a specific matter; he was asked to be here in regard to the making of a contract and the emoluments paid to Sir Henry Thornton. I did not think it was my duty to sit here and cross question Charlie Dunning. Mr. Dunning may have been telling the truth. I may have been drawing the wrong conclusion as to what it was that happened, but the fact remains that my information was correct.

Hon. Mr. EULER: I am very glad to hear my hon. friend say that Charlie Dunning may have been telling the truth, because I think he was telling the truth, but the point I want to make is this: will the Minister say now to the committee and to the country that political influence is being wielded with regard to the purchase of ties, because I want to protest with all the powers that I have against the introduction of politics into the conduct of the National Railways. If you do it in regard to ties, there is no reason why you should not introduce it in regard to other purchases, and in that way the road will be bedevilled.

Hon. Mr. MANION: I do not see that at all. I do not agree with my friend at all in regard to the bedevilling of the road. If the Canadian National Railways were purchasing ties—we will keep to ties—if the Canadian National Railways were purchasing ties, and it does not spend one dollar more in the purchase of ties than the Canadian National would if left entirely as the Canadian Pacific Railway, we will say, is left, then I do not know that it matters particularly from the standpoint of economy to the Canadian National, whether they buy from Progressives, or Conservatives, or Liberals, or somebody else. But at the same time I will say one thing more, I agree with Mr. Euler that the principle is not good. But so long as the Canadian National Railways has to come back to the Government of Canada, whatever Government is in power, to the parliament of Canada, and get the parliament of Canada to vote large sums of money amounting anywhere from \$75,000,000 per annum, then just so long will the people of this country have the right to check up those things, and just so long will there be the danger of some political interference. The ideal of the Canadian National should be this, and I think it was the ideal of Sir Henry Thornton, though it has gone askew like many ideals, the ideal of the Canadian National should be, to get to a position where it could handle its own affairs without asking either for guarantee or money from the Government of Canada on behalf of the people of Canada, then and only then can you avoid that interference, and investigations such as we have been having here to-day.

Mr. GRAY: Don't you think that you as a Minister, should set an example?

Hon. Mr. MANION: Quite, but my hon. friends are so much more moral when in opposition than when they are in power, that is the only difference.

Mr. POWER: I am not going to admit that, Mr. Chairman.

Mr. CANTLEY: But you are.

Mr. POWER: I am particularly interested in the political side at least, but in support of my friend Mr. Euler, I think the people of the country would like to know definitely whether the policy—I took it to be that through the statement made by the Minister last Monday—is to be that which you will follow in the future. I find the policy pretty well outlined in this statement: as showing the training that the purchasers of ties for the—

Hon. Mr. MANION: What page?

Mr. POWER: Page 2951 of Hansard of May 9, 1932.

as showing the training that the purchasers of ties for the Canadian National Railways got under my right hon. friend and his government,—he is referring to the Leader of the Opposition there—

and his government. They gave 84 of these contracts out of 325 or 330 this year, without any consultation with me at all, and they were practically all given to Liberals.

Now, am I to understand that the Minister, after these 20 per cent, roughly, have been given out, after those contracts have been given out, checked up the names of each of those contracts, if I may use the word "generously" with

respect to the political affiliations, if you like, and instructed the officers of the Canadian National to give tie contracts to so and so, and so and so, provided the prices were the same.

Hon. Mr. MANION: I have not attempted to instruct; I have repeated that many times.

Mr. POWER: Did I use the wrong term—advise?

Hon. Mr. MANION: No; to recommend, if you wish, I offered recommendations that were offered to me by various people of this country, many of them not political at all. Many of them not political at all, but many of them given with my consent, my agreement, if you like, and many of them were friends of yourself.

Mr. POWER: We thank you for your generosity. It is your discretion I am objecting to.

Hon. Mr. MANION: My indiscretion.

Mr. POWER: This is the point we wish to make; if it is within the power and authority—I imagine it is within the power—if it is the intention of the Minister to carry out this policy of giving recommendations, it is quite clear to me, at least, that from now on, political patronage is to be the order of the day in the purchases of the Canadian National Railways; and if so I would like to know it.

Hon. Mr. MANION: My friend is trying to reach a wrong conclusion. Political patronage is not the order of the day in any way, shape or form with the Canadian National since we came into power. The only interference—if you call it such—of any kind is the interference which I have discussed here frankly about ties.

Hon. Mr. EULER: Why not cut it out?

Hon. Mr. MANION: Why didn't you cut it out? I did not start the discussion.

Hon. Mr. EULER: Cut out the practice you have inaugurated.

Hon. Mr. MANION: I will promise my friend to cut it out if he will promise to live up to it when his party gets back to power.

Hon. Mr. EULER: Two wrongs don't make a right. I take my friend at his word, although I may never get back into power. By that I do not mean that his Government will remain in power. I do not want him to understand that. But I say this that if I have anything to do with it I will promise him there will be no patronage as far as the Canadian National Railways are concerned.

Hon. Mr. MANION: I wish you had lived up to it when you were in power.

Hon. Mr. EULER: I did, absolutely, as far as I am concerned.

Hon. Mr. MANION: As far as you are concerned, yes.

Hon. Mr. EULER: I can only speak for myself.

Hon. Mr. MANION: I say this that when the Royal Commission makes its report, I sincerely hope that the Commission will make a report of some kind which will put the Canadian National Railways in such a position financially that no Government, whether it is this Government or any future Government, will have anything whatsoever to do with it at all.

Hon. Mr. EULER: My friend has a good deal of backbone, and if he wants to do this thing and keep his hands out of exercising political influence or giving any kind of contracts he can do it, and I would like to see him do it.

Hon. Mr. MANION: I have not interfered politically at all, except, as I said, in these tie contracts which did not cost the Canadian National Railways one cent.

Hon. Mr. EULER: It was a bad principle.

Mr. POWER: It is a distribution of favours by a minister who is a political minister and a good politician.

Hon. Mr. MANION: Oh, you flatter me.

Mr. POWER: I have not read the list of the tie contracts. When I see the list I will see how good a politician he is. It may be a readjustment. What I think the committee is entitled to know is whether or not that is the definite policy. If it only applies to ties, all right, we will take it as the policy applying to ties.

Mr. DUFF: He has promised.

Mr. POWER: No, he has not promised.

Hon. Mr. MANION: I am not making promises. I simply make the statement that there has not been any political interference in the Canadian National Railways at all.

Mr. POWER: Except ties.

Hon. Mr. MANION: I have explained the tie situation.

The CHAIRMAN: Gentlemen, I have no desire to prolong this discussion. I would like to make the observation that after the change in government in July, 1930, I had occasion to look into this tie question at the request of people in New Brunswick who wanted to sell ties to the Canadian National Railways and I saw a list of those who contributed to the tie supply of the Canadian National Railways for the years 1928 and 1929, and I have no hesitation in making the statement here that 90 per cent of the contractors for ties in New Brunswick were Liberals, and that 90 per cent of the ties supplied were supplied by them.

Mr. POWER: Do you know a contractor who was not a supporter of the Government and could not change as quickly as the Government. I am talking to a politician who knows his job, and I think he will agree with me.

The CHAIRMAN: Again, you flatter me.

Hon. Mr. MANION: May I say before we get away from the political side of this matter that I have here a photostatic copy of a letter written by one of the friends of my friend Mr. Euler—one of his confreres in the late government—on October 17, 1926, to Mr. Hanbury, not marked personal, so I am quite within my rights in reading it:—

DEPARTMENT OF SOLDIERS CIVIL RE-ESTABLISHMENT

MINISTER'S OFFICE,

CRANBROOK, October 17, 1926.

Dear Mr. HANBURY:—I have your favour of October 12th. I arrived in Cranbrook yesterday, and will remain in the district until Thursday, when I am going north to Golden. I will take the main line train there, and will arrive in Vancouver the evening of October 25th. I expect to spend some three or four days there, and then go to Victoria, returning from there to Kootenay.

I note your reference to Canadian National Railway ties, tenders for which have been invited, and shall wire the department asking that they withhold awarding the contract until further representations can be made.

With kind regards.

Yours truly,

J. H. KING.

W. F. HANBURY, Esq.,
850 Hastings St. W.,
Vancouver, B.C.

That is from the Hon. Dr. King, who was the Minister of the Soldiers Civil Re-Establishment.

Mr. POWER: What is wrong with it?

Hon. Mr. MANION: There is nothing wrong with it at all any more than there was anything wrong with what I have been doing.

Mr. GRAY: I think it is most objectionable that the Minister should read a letter directed to a man who formerly sat on this committee and who through illness is not here to speak for himself.

The CHAIRMAN: There is no reflection on Mr. Hanbury.

Mr. GRAY: I say that he should be here to answer to that letter if necessary. On behalf of that gentleman I object, the same as the Prime Minister is objecting so strongly.

Hon. Mr. MANION: Leave the Prime Minister out of it for the moment; let him defend himself.

Mr. GRAY: Yes. We will be glad to have him. What I want to say is this, that regardless of what the Minister now says that that has all been changed, he is now saying that that is not the custom and it is the tories that are getting the contracts.

Hon. Mr. MANION: I say no such thing, and I won't let you or anybody else put words into my mouth. I said the tie contracts are going between the two political parties—not going to one.

Mr. GRAY: You have changed the policy.

The CHAIRMAN: They are not all liberals on the list.

Mr. GRAY: Have you changed it or not?

Hon. Mr. MANION: I have not changed it. I have recommended that these tie contracts be let to the different parties instead of one, and the Railway very broadly took the recommendation.

Mr. MUNN: Just a word about Mr. Hanbury. Mr. Hanbury is a tie producer. He is a lumber man and he has been in the habit of supplying ties for years.

Mr. KENNEDY: He was a member of parliament.

Mr. POWER: He was not.

The CHAIRMAN: He was a defeated candidate.

Mr. MUNN: With regard to the contracts that were let, I know for a fact that quite a substantial number of those ties were bought from people who were not tie producers. That is what I object to. I do not care if the man is a tie producer, whether he is a liberal or a conservative, if he is a man who should have the business; but in this instance, in looking over the list I find that the contracts were awarded to fellows who were not producers, who were working on a commission—fellows I venture to say who would not know the difference between a tie and a rail.

Hon. Mr. MANION: May I make it clear that I was not in any way attacking Mr. Hanbury or Dr. King. I do not consider Mr. Hanbury or any other member of parliament is debarred from taking a tie contract from the Canadian National Railways. I was simply pointing out that the hon. Dr. King the Minister of Soldiers' Civil Re-establishment was interfering, apparently, in the purchase of ties to some extent, as I am accused of doing.

Mr. DUFF: Would you mind telling us how you got that letter?

Hon. Mr. MANION: No. I do not intend to tell you anything about it.

Mr. DUFF: You should not have read it. I think it is the rottenest thing I have ever seen in the seventeen years I have been in parliament.

Hon. Mr. MANION: When I want lectures on morality or ethics I will not go to you.

Mr. DUFF: It is a rotten thing to do, the most contemptible thing I have seen in this parliament.

Hon. Mr. MANION: You had better say that to me some place else.

Mr. DUFF: I say it to you here.

Hon. Mr. MANION: Say it to me some place else.

Mr. DUFF: I will say it to you some place else too.

Hon. Mr. MANION: All right.

Mr. MACMILLAN: This tie business has been gone into time and time again, and I think we should get on with the business.

Mr. GOBEIL: Before you leave this question, I would like to say something. I have listened to so many protests this afternoon that I want to protest against something myself. I want to protest against the idea that Mr. Euler and others are trying to put into the minds of the members of this committee that the letting of 95 per cent, or whatever it is, of the ties to liberals in the late government was all done by chance. Now, I do not think they will convince many people in this room of that fact. And furthermore, I say that if the present Minister of Railways, by his advice or recommendations, has obtained the result that the ties were divided between the two political parties in this country, he is to be congratulated instead of criticized.

Mr. BEAUBIEN: I think he is a poor politician if he divides it.

Mr. DUFF: Would it not be well for Sir Henry or Mr. Vaughan to tell us how these contracts were awarded in the past. The charge is made that the contracts were awarded to people because they were liberals or tories. Let us hear how they were awarded.

Mr. BEAUBIEN: It happened to be that way.

Mr. DUFF: I want to know how that happened.

The CHAIRMAN: I have no objection to asking Sir Henry Thornton or Mr. Vaughan.

Mr. POWER: Can the Minister tell us who these three Liberal members are who have tie contracts at the present time! I would like to look at them.

Hon. Mr. MANION: I would not care to do that. I said one Liberal member. I did not say there were three who had contracts. I said three were interested in tie contracts.

Mr. DUFF: You said three members in the house.

Hon. Mr. MANION: There was one Liberal member who had a tie contract and has had one for years.

Mr. POWER: Mr. Hanson is here. He is one of them.

Hon. Mr. MANION: I made it clear that I make no reflection on any Liberal or Conservative for taking tie contracts.

Mr. POWER: I do not think there were any. I want Mr. Hanson to go into the box and say that, and tell us how he got those contracts.

The CHAIRMAN: I do not think we should take up the time. The committee will say whether he should. Is it the will of the committee that we should go into Mr. Hanson's tie contract?

Mr. DUFF: We have a right to question him as a witness.

The CHAIRMAN: You have if the committee says so.

Hon. Mr. MANION: I haven't a word to say against Mr. Hanson in any way, shape or form. I do not want members or anybody else to get the idea that I am criticizing Mr. Hanson or Mr. Hanbury or any other member who

might have got a tie contract. I have made no criticism of Mr. Hanson or Mr. Hanbury or anybody else.

Mr. McGIBBON: If you exclude both Liberals and Conservatives who is going to supply you with ties?

Mr. DUFF: Exactly. The whole thing is foolish.

The CHAIRMAN: Let us take up the estimates of the Canadian Government Merchant Marine.

Mr. DUFF: Before we go into the Canadian Government Merchant Marine, will that prevent us asking any questions with regard to the railways? For instance, I understand that General Stewart asked a question about private cars. Has that been answered? I was away a part of this afternoon.

The CHAIRMAN: No, I would not say we have concluded the railways. I hope we may to-morrow. The idea is to get through with Mr. Allen.

Mr. DUFF: May I ask about Mr. Stewart's question, and whether it has been answered.

The CHAIRMAN: No.

Mr. STEWART: It was not answered.

Sir HENRY THORNTON: We are getting that information as fast as we can.

Mr. DUFF: How long will it take?

Mr. FAIRWEATHER: I should say to answer the question as it was asked it would take at least another four or five days.

Mr. DUFF: Why will it take that long?

Mr. FAIRWEATHER: The form in which the question was asked was very specific. It asked for the point of origin and the point of destination of every trip. Of course, we have no private cars as such; they are business cars, and consequently all the business superintendents and the movements of district superintendents and officers of that kind have to be taken into account, and we have had the wires busy for four or five days.

Mr. DUFF: If that is going to take four or five days, perhaps I had better ask a simple question about private cars. It will not take very long. I would like to know what the cost was of the new car which the Prime Minister now is using, the total cost, including the cost of the trucks and body of the car which, I understand, was in the shops of the Canadian National Railways at Point St. Charles when the car was built, the total cost of everything, including the amount which was spent by United States decorators who came over to fix up this car; and I would like also to know what became of the old car, No. 100, and how much money was spent on it after it was turned over to the Canadian National Railway officials as a business car?

Hon. Mr. MANION: While you are getting that information you might also find out how much the first car that Mr. Mackenzie King had cost, and you might get also what the second car he had cost when he was not satisfied with the first car?

Mr. DUFF: I am quite willing to have that. I want that, because the car as it was when Mr. Mackenzie King left it, after the election in 1930, was fit for anybody to travel in, and no new car should have been built.

Hon. Mr. MANION: The first car was fit to travel in, but Mr. King changed it for a second car. We will get the whole result.

Mr. DUFF: Certainly.

Mr. McGIBBON: May I ask a question. When will I get that information which Mr. MacMillan and I asked for about three weeks ago? It should be here now.

Mr. DUFF: I would also like to know the cost of the private train which went to Halifax in April, I think it was, in April, 1931, the time the Governor General came to Canada?

The CHAIRMAN: It was answered in the house.

Mr. DUFF: There were twelve private cars on that train. I would like to know what the cost of that whole exhibition was.

The CHAIRMAN: It was all answered in the house.

Mr. CANTLEY: Perhaps you would like to get the cost of Mr. Mackenzie King's car when he went down to Bermuda?

Mr. DUFF: I would like also to get the cost of Col. Cantley's trip when he went to the West Indies. Perhaps the Colonel would like my costs too.

The CHAIRMAN: I think this is getting a bit personal; we had better steer clear of it.

Mr. MCGIBBON: I did not get an answer to my question.

The CHAIRMAN: I think it is ready. This committee has not decided whether this list is to be made public or not.

Hon. Mr. EULER: You are going to make everything else public.

The CHAIRMAN: Are you moving that this be made public?

Hon. Mr. EULER: Oh, no.

Mr. MCGIBBON: I will second it if Mr. Euler moves it.

Hon. Mr. EULER: I am going to be quite consistent.

The CHAIRMAN: This is filed with the committee. We will not read it just now. The file is open to the examination of the committee. Now, shall we take up the Canadian Government Merchant Marine and try to dispose of that. I have been trying to get at that for an hour.

Hon. Mr. EULER: We have already disposed of it.

Hon. Mr. CHAPLIN: We recommended that last year in the report.

The CHAIRMAN: That recommendation, I think it is only fair to the management to say, was to the Government.

Hon. Mr. MANION: The management also took the attitude that we should get rid of it. Sir Henry Thornton has always taken that attitude, but it is not as easy to get rid of some of these things as would appear. The other day we had an example in some of the boats that were tied up at the dock and the management made a sale of them at something like 10 per cent, I think, or 15 per cent of their original cost. We passed an order in council accepting the bid with some protests, because it was thought it was a pretty poor deal as far as the price was concerned, and now the buyers have turned them down and will not take them at that price.

The CHAIRMAN: I noticed where one offer was made for \$1.

Mr. POWER: May I ask if we could get some information about that very unfortunate incident which has arisen out of the *Prince David* being refloated?

The CHAIRMAN: That is not in the Government Merchant Marine; that is one of the railway ships.

Mr. POWER: I understand we lost some money by this boat being salvaged?

The CHAIRMAN: Yes, I believe we did. Mr. Allan is here, and I have no doubt he wants to get away. Mr. Allan I would like to ask you what routes you have in operation now on the Canadian Government Merchant Marine?

Mr. ALLAN: Intercoastal, Vancouver to the east, Australia, New Zealand.

The CHAIRMAN: You had a vessel go into New York the other day—the *Canadian Scottish*, I think?

Mr. ALLAN: Yes.

The CHAIRMAN: When did she arrive there?

Mr. ALLAN: Arrived in Halifax March 26.

The CHAIRMAN: That voyage has been closed?

Mr. ALLAN: Yes.

The CHAIRMAN: I am taking that at random. That is a closed voyage. I would like to ask, what was the net result of that voyage?

Mr. ALLAN: That is, on this year's operations? I haven't got the information here.

The CHAIRMAN: Well, generally speaking, are you losing much money or making much money, or what, on that particular service.

Mr. ALLAN: We are making money on that Australian service.

The CHAIRMAN: Does the Committee desire to have the report read, it is very brief. Can we dispose with the reading of it?

Hon. Mr. EULER: Give us the high lights.

The CHAIRMAN: Mr. Euler has made a suggestion. Give us the high lights of the year's operations.

Mr. ALLAN: In the year 1931 there was a South American service operated under a subsidy contract.

Mr. CANTLEY: What service?

Mr. ALLAN: South American under a subsidy under the Department of Trade and Commerce. At the end of the year—in November to be exact—owing to a change in the tariff, we found it impossible to continue that operation as there was no homeward cargo. That service was, therefore, abandoned in March of this year.

Owing to the depressed conditions, we decided to combine the Australian and New Zealand services, and where the Australian service had been showing a loss prior to that date the combined service shows a profit from that time on, from March until the end of the year.

The inter-coastal service, the principal commodity being lumber, came out about even.

Sir HENRY THORNTON: That is about all there is to tell in connection with the high lights, the four services of the Government Merchant Marine. The Committee have all seen this annual report of the Government Merchant Marine; I don't think there is very much to add.

I think perhaps the main question, and perhaps the most important question which the Committee will have to deal with this year, as they have attempted to deal with it in previous years, is as to just what our policy is to be, speaking from a national point of view with respect to the continuance of the Canadian Government Merchant Marine.

The CHAIRMAN: What is your recommendation, Sir Henry?

Sir HENRY THORNTON: I stated last year—and I think I may have stated it in previous years—that certainly in my judgment and the judgment of the Marine officers of the company, we should either decide to put the Canadian Government Merchant Marine, in point of equipment, in position to compete with other more modern steamships and steamship lines and meet market conditions. When I say market conditions I mean ocean rates and services, or else go out of business with it. We are in the position of trying to operate a modern service with implements singularly ill adapted for the purpose. It is very much like the Oxford professor's definition of golf. He said golf was the problem of endeavouring to propel a very small ball into a very small hole with implements that were ill-adapted for the purpose, and that is more or less the situation that confronts us with respect to our merchant marine. These

vessels were built under war conditions to serve a certain purpose at that time and to meet a certain emergency.

Mr. DUFF: The war was over before they were built.

Sir HENRY THORNTON: I don't know as to that. That is always what I have been told. At any rate, the commitment was made during the war, and we now find ourselves with a number of vessels on our hands which are not of such a character to permit us to carry out a merchant marine service effectively in competition with more modern vessels.

There is no good continuing, in my judgment, to carry on a business of that sort badly handicapped as we are with insufficient facilities, and I think my recommendation would unquestionably be to either give us a merchant marine equipment that we can do something with or go out of business.

Hon. Mr. EULER: You do not really recommend that, do you?

Sir HENRY THORNTON: I do not recommend going into the Government Merchant Marine business with the present state of affairs, a condition which, as far as I can see is going to continue for some time, of there being more vessels, more water carriers than there is freight for. I think our Government would be very foolish to embark on such a policy, but if you ask me what the two alternatives are, there they are.

Hon. Mr. EULER: What is the present value of the ships you still have and how much are you losing by way of operating them, per year?

Sir HENRY THORNTON: Well, that is in the annual report. The operating deficit, Mr. Euler, in 1931 was \$444,285.53. That is simply the operating deficit, the difference between revenues and expenses. In addition to that there must be met the interest on the cost of these vessels.

Hon. Mr. EULER: We will have to do that anyway.

Sir HENRY THORNTON: Well, that is a burden.

Hon. Mr. EULER: The interest on the capital cost has got to be paid in any case whether we discontinue them or not, but what I am trying to ascertain is what loss we would avoid if we discontinued these boats.

Mr. ALLAN: If you take into consideration the subsidy that would probably have to be paid on the Australian-New Zealand service, I estimate that at the end of this year you would pay more in subsidy than you would in operating these three steamers.

Hon. Mr. MANION: I might say, for the information of the Committee, that I have been offered, as Minister, by two very responsible companies, a proposition to take over the Australian-New Zealand service without subsidy; but that is not true of some of the other routes. Perhaps I may be permitted to interject here in the midst of Mr. Allan's statement, that when the recommendation went through last year by the Committee, I concurred in it and concur in it yet. I think we should get out of the shipping business altogether. That is my own personal opinion and I think it is probably the opinion to a large extent, of the Government. But the question comes in of trade routes, of established trade associations and connections, and the question comes in of getting proper companies, good companies, to take over those different routes that the Canadian Government Merchant Marine and the Canadian National Steamships are now carrying on, and that brings in the difficulty.

While I had a proposal—and I have had it in writing as well as verbally on two or three occasions—from two companies to take over the Australian-New Zealand service without subsidy of any kind, the proposition in regard to the other routes is not quite so clear. I had hoped to have the Government make a complete move in regard to these ships in toto so to speak; that is, by doing it all at once and not piecemeal. I personally think that this country

should get out of these routes but that they should be taken over by responsible companies.

Hon. Mr. EULER: And in the case of the offers, do you think, or do you not think, that that service would be taken over by private companies and we would suffer no loss if we discontinued others?

Hon. Mr. MANION: I think it is true of some of them, but I should not like to recommend to the Government that we do away with any service until we are sure just what my honourable friend suggests is the case. We might break up established trade connections and associations which might do harm.

Hon. Mr. EULER: Where would that be?

Hon. Mr. MANION: The West Indies, for example. We have a trade treaty, as Mr. Euler knows, with the West Indies and there are some considerations in that treaty that forced the Government to establish steamship services of its own or establish them through private companies.

Might I mention one instance of an offer which I had. I think I mentioned it here before, and the press gave it rather prominent publicity, which I would just as soon they did not give on this occasion although it has no special influence, where a company offered to take over one of the routes. There is an eastern and a western route in the West Indies, and I think it was the western route, but it was a company which was owned in the United States, and I should not like to recommend to the Government that that company, or any company owned in a foreign country, should be permitted to take over one of our trade routes and leave us more or less at the mercy of a shipping company owned in some foreign country.

Mr. DUFF: Mr. Chairman, this is outside of what we are discussing now. There are two matters, the Canadian Government Merchant Marine and the Canadian National Steamships, and I understand it is the Canadian National Steamships which takes care of the West Indies Service, so why should the Minister interject a remark that has regard to a different matter altogether?

Hon. Mr. MANION: Mr. Allan was referring to the Australian-New Zealand Steamship service and he said he did not think we could get it taken over without paying a subsidy. I simply wish to correct that, because we can get it taken over without paying subsidy.

Mr. DUFF: I thought you mentioned the West Indies service.

Hon. Mr. MANION: They all hook up together.

Hon. Mr. CHAPLIN: In respect to the West Indies, if we have an agreement that surely must be binding upon us, and we cannot think of departing from that agreement without getting something from the people with whom we had the agreement. Let us confine ourselves to the Australian one and make some recommendation in respect to it. We are under no agreement there but we are in the other case, and I believe that we, as a nation, must live up to our agreements.

Sir HENRY THORNTON: Might I say, Mr. Chairman, that in answer to Mr. Euler's question I was not thinking of the West Indies' services. They are not a part of the Canadian Government Merchant Marine. I had in mind no thought of abandoning it, or any definite agreement or treaty obligation or anything of that sort. When I said that I thought we should withdraw from the steamship services I was thinking of the Canadian Government Merchant Marine exclusively.

Hon. Mr. EULER: Well, have we any agreement with any of the other dominions that involves the Canadian Government Merchant Marine?

Sir HENRY THORNTON: No, we have not.

Hon. Mr. EULER: Then there is no reason in the world why they should not be discontinued as far as I can see.

Hon. Mr. CHAPLIN: That was the one in regard to which we made our recommendation last year. We made no reference to the West Indies at all.

Mr. CANTLEY: Mr. Chairman, I have expressed my views in regard to the matter of the Canadian Government Merchant Marine on former occasions.

We have altogether 29 vessels in that list; 24 of them are 8,000 tons odd; 2 of them are 10,000 tons odd; and 3 of them are less than 5,000 tons. Now, those boats cannot possibly be operated at a profit by this Government or this country. They are all old. They are all in the vicinity of 15 years old. They are comparatively low power. For instance, you take putting on a boat from Montreal or New York or any of the Atlantic ports, to compete with the kind of traffic that is going across the Atlantic, and you have got to compete with boats of about 14 knots as against these boats of about 9 knots. They cannot get the insurance rates. They are handicapped in every way, and it is impossible for us to operate them at a profit.

Some of these boats are laid up. I think the cost of laying them up is in the vicinity of \$100 a day. The department will correct me if I am wrong in that. However, we have 235,000 tons, roughly, of shipping, comprising 29 vessels. Now, if those vessels were sold at an average price of \$5 a ton we would get something over \$1,000,000, or \$1,170,000. That seems like a ridiculously low price, but I venture the opinion that before we get clear of the fleet we will not get on the average a higher rate than that.

In my view the quicker we get clear of them the better, even if we have to give them away because there isn't a possibility of operating them at a profit. I am convinced in regard to that. I have had the privilege or the opportunity of handling a good deal of shipping in my time. The company I was connected with had about 100,000 tons of shipping. I have carried coal, and I have carried ore. We handled about from one to two million tons of cargo a year and there isn't any possibility to-day for this fleet of vessels to do anything but make losses.

Now, surely the proper thing to do is to get clear of those boats as quickly as we can.. I would give them away if I had to raffle them and get clear of the obligation, because they are an obligation and not an asset at all.

I just wish to say this: There are three small boats here in the list, one boat 3,973 tons; another 3,964 tons; and the third 4,554 tons. I haven't got the information before me, but if those boats are tween-deck boats I make the suggestion to the Minister: I am told there are about 10,000 cattle in this country that are fit for export to the Old Country. If that be so, it is highly important to the farmers of Ontario and the farmers of the west that these cattle be moved, and if these are tween-deck boats I would spend on them probably \$15,000 or perhaps \$20,000 and would put permanent cattle fixtures in them, and I would put them on the service from Montreal. Those boats will occupy about 42 days on the round trip. If they have an ordinary amount of water ballast they will carry enough fresh water for the cattle for that trip. They will have to keep some dead weight in addition to that and that can be provided by corn or grain, or wheat or oats or barley to take them across, and they will come back under water ballast. I understand the existing rate on the St. Lawrence is about \$12.50 per head of cattle. I cannot see how any steamship line can carry cattle to-day for \$12.50 and make any money. Remember, that in addition to carrying the cattle the steamship owner has to carry their feed; he has to carry the crew that goes over with the cattle, and if the boat is carrying 800 head of cattle he will have about 40 cattlemen. The steamship owner has to berth those men and feed them and bring them back to this side at the ship's expense. That is included in the freight rate of \$12.50 per head. I have seen cattle carried from the St. Lawrence as high as \$45 a head. I have carried cattle from the

Argentina at \$68 a head. I have carried cattle from the United States at about \$50 a head. Those were practically during war times, and that was the time when this fleet of boats was built, but that condition has changed absolutely.

Now, I cannot very well see how our western people are going to get 8,000 or 10,000 head of cattle across between now and the close of navigation on the St. Lawrence unless something of that kind is done; and I make the suggestion to the Minister predicated on the fact that these are tween-deck boats, that he might expend a reasonable and a comparatively small amount of money on fitting them up.

If you talk of fitting a boat for cattle for one trip, a boat to carry say 800 head of cattle, it will cost you about from \$4,000 to \$5,000 to fit her up. Now, when she gets to the other side, you can do one of two things. If she is coming back, 75 per cent of the fittings will be utilized on the succeeding voyage; if she is not coming back, the fittings are thrown overboard. The custom there is when the ship gets on the other side, and they come out for cattle again, they make a contract with the firm ashore to clean out the ship, take the manure out of it, get the fittings for the cost of removing and taking them away. If she is making a return trip, she will keep her fittings and probably 12½ or 15 per cent will have to be spent on the next voyage to put those fittings back in perfect condition. Now, I have taken up more time of the committee than I had intended. I can only make that suggestion to the Minister, that I think we would be justified in helping the western farmer to get his cattle to the market this season under conditions that exist in this country, not only in the northwest, but also in the province of Ontario.

Hon. Mr. MANION: May I say this in that regard, Col. Cantley? Some days ago I asked my deputy to have Mr. Allen give us a report on that very matter, and Mr. Allen has informed us that a number of those boats are 'tween deck boats. He is now making a report as to the costs of handling those cattle, and as to the probable losses, if there would be losses. I say that we are going into that very matter that my friend suggested.

Mr. ALLEN: May I correct one statement there, Dr. Manion? The suggestion was made that we take three small boats for cattle. We would have to use the 8400.

Hon. Mr. MANION: I was not speaking of any particular boat. You reported to me, or it was reported to me, that there were some of these boats that were 'tween deck boats, and it was a matter of cost as to whether it could be done, and I understand you are making a report now as to the costs and the possible losses.

Mr. ALLEN: The estimated loss over a period of three months would be \$6,000 per ship.

Mr. CANTLEY: Carrying how many head of cattle?

Mr. ALLEN: Three hundred and sixty head.

Mr. CANTLEY: How many a ship?

Mr. ALLEN: Three hundred and sixty.

Mr. CANTLEY: It would carry more than that?

Mr. DUFF: How many?

Mr. ALLEN: Three hundred and sixty head.

Mr. CANTLEY: I went across on a voyage when we had over 600 cattle between decks.

Mr. ALLEN: Would you advocate a shelter deck here? It would cost too much money; it would cost \$22 a stall.

Mr. CANTLEY: For how many stalls?

Mr. ALLEN: For how ever many stalls you want to put on that deck; I am taking the shelter deck.

Mr. CANTLEY: I think my figures are pretty nearly correct.

Mr. FRASER: How about the inter-coastal movement of lumber; has it fallen off?

Mr. ALLEN: Very considerably.

Mr. POWER: You are still shipping British Columbia lumber to depress the eastern spruce?

The CHAIRMAN: There is a tremendous feeling in eastern Canada in regard to this subsidizing of west coast lumber, coming into eastern Canada,—

Mr. FRASER: They are subsidizing?

The CHAIRMAN: Pretty much the same as a subsidy, because it is carried at a loss; they are paying the difference.

Hon. Mr. MANION: There is an operating profit incidental to that route.

Mr. ALLEN: Yes; but there are two outsides steamers, not the property of the Canadian Government operating on that service to-day, one in Montreal, and the other sails from Vancouver this week.

Sir HENRY THORNTON: They are not our property.

Mr. ALLEN: No.

Hon. Mr. MANION: That is another service that other companies have offered to take over.

Mr. POWER: May I ask how many million feet of British Columbia lumber have been brought down to eastern Canada during the year 1931?

Mr. MACMILLAN: Would it be possible for any of those ships to go into Churchill and load up with grain?

Sir HENRY THORNTON: Well, I doubt it, I think they are probably too slow and too small.

Mr. DUFF: Mr. Chairman, while they are looking up the answer to Mr. Power's question in regard to lumber, may I ask this question: as long as it is decided to keep those ships of the Canadian Government Merchant Marine going, is it necessary to have two financial set-ups or two sets of expenses in regard to the operation of those ships? Why not amalgamate both companies?

The CHAIRMAN: The Canadian National Steamships and the Canadian Government Merchant Marine?

Mr. DUFF: Yes. Why have two different organizations? It must certainly mean the overlapping of expenses.

Sir HENRY THORNTON: Not exactly. They are separate organizations, and they are different; there are different financial arrangements for each service, and I do not think they could be consolidated. Of course, they might be with proper legislation.

Mr. DUFF: Why not? For instance, you have taken a number of boats from the Canadian Government Merchant Marine, and you are using them in connection with the Canadian National steamships service.

Sir HENRY THORNTON: That may be.

Mr. DUFF: Why not put the whole thing under one organization?

Sir HENRY THORNTON: They are to all intents under one organization now. If you did what you suggest, the operating cost would still be the same.

Mr. DUFF: There are two balance sheets here.

Sir HENRY THORNTON: Yes, that is quite true. That is because they are acquired under different financial arrangements.

Mr. DUFF: I beg your pardon.

Sir HENRY THORNTON: They were acquired under different financial arrangements.

Mr. DUFF: You transferred some of the Canadian Government Merchant Marine to the Canadian National?

Sir HENRY THORNTON: If we have done that, there has been a proper book charge made for it.

Mr. DUFF: Why not have it all under one?

The CHAIRMAN: They do not want that. I suppose that is one reason. I would suppose that, as far as I am concerned, I would—

Mr. DUFF: That is exactly what I am getting at. I object to a number of these ships of the Canadian Government Merchant Marine being transferred to the Canadian National Merchant Marine.

The CHAIRMAN: That is fair. Why do that?

Mr. ALLEN: We made a request to the Canadian Government for the transfer of 284-100 ton ships to the Canadian National West Indies to replace four smaller steamships, 8,400, operated at practically the same price as the smaller ships.

Mr. DUFF: What I am coming to is this. You have no trade arrangement with the West Indies service that is necessary for you, if I understand it correctly—you have no trade agreement whereby it is necessary for you to operate freight steamers to the West Indies.

Mr. ALLEN: Yes it is.

Mr. DUFF: Where?

Mr. ALLEN: For the eastern and western service.

Mr. DUFF: You certainly have no agreement in regard to the Porto Rico west?

Mr. ALLEN: No, but they are all pretty close.

Mr. DUFF: Why did you transfer steamers from the Canadian Government Merchant Marine to the Canadian National service as far as Porto Rico and the South America service is concerned?

Mr. ALLEN: We didn't. Porto Rico, however, is only incidental to the British West Indies, and we can get some freight from Porto Rico on the eastern voyage.

Mr. DUFF: You are losing money.

Mr. ALLEN: No sir, we are making money.

Mr. DUFF: No, you are not making any money.

Sir HENRY THORNTON: We can give you the figures, Mr. Duff.

Mr. DUFF: I should like to have them.

Mr. ALLEN: Referring to the question of lumber, there were 59,727 tons, approximately 30,000,000 feet carried in 1931.

Mr. POWER: Approximately 30,000,000 feet?

Mr. ALLEN: Thirty million feet, 59,727 tons.

Mr. FRASER: Where is it absorbed, in the Canadian market or—

Mr. ALLEN: The Canadian market.

Mr. FRASER: What is that?

Mr. ALLEN: All Canadian markets.

Mr. POWER: In competition with eastern Canada spruce.

The CHAIRMAN: My own opinion is it is all in competition with eastern spruce.

Mr. POWER: Some of it may be squared timber.

Mr. ALLEN: Yes, a lot of it is squared timber.

Hon. Mr. MANION: If the Canadian National Steamships did not get the business, a private company would take it over there; I presume there was some competition, anyway.

Mr. ALLEN: Sixty-one thousand dollars were the earnings at Porto Rico last year.

Mr. DUFF: The gross freight.

Mr. ALLEN: Yes.

Mr. DUFF: That would not be earnings, gross amounts.

Mr. ALLEN: Yes.

Mr. DUFF: What is the cost of operation?

Mr. ALLEN: You cannot segregate it altogether from the service.

Sir HENRY THORNTON: You cannot separate that from the other service.

Mr. DUFF: I am objecting to that. I cannot understand why it was necessary in some cases for the Canadian Government Merchant Marine, or the Canadian National Steamships to perform certain services. Under the West Indies agreement, some services had been performed, but I strongly object to the Canadian Government Merchant Marine calling at ports in competition with private enterprise. That is what they are doing in regard to calling at Porto Rico.

Sir HENRY THORNTON: That is another question, Mr. Duff. So long as we have ships, we have to try to get business for those ships whether we take from private business or not.

Mr. DUFF: You do not want to do business on which you are losing money and that is unfair to anybody else.

Sir HENRY THORNTON: We do not think we are losing money in this particular call.

Mr. ALLEN: I can have that figure worked out for you.

Sir HENRY THORNTON: It is simply a call made in line with the other services given. It is included in the costs of calling at other ports, but we can get it for you.

Mr. DUFF: You do not have to call at Porto Rico in order to fulfil obligations under the West Indies agreement?

Sir HENRY THORNTON: No, so long as we fulfil that obligation and call at Porto Rico, and get some additional business at a profit, we think we should do it.

Mr. DUFF: I do not think you are making any profit.

Sir HENRY THORNTON: I think we are.

Mr. FRASER: I wonder if the officers could tell me if the British Columbia lumber is of a class or kind that does not compete with eastern lumber.

Mr. ALLEN: That I cannot answer; that is a pretty hard question to answer.

The CHAIRMAN: I looked into this once, because I had some very strenuous complaints about it. I think I wrote to you once, Sir Henry, about it. I got some information that a very substantial part of the shipments were of a class or kind that did not compete with eastern Canada. I think that ought to be stated in fairness.

Sir HENRY THORNTON: Sixty-five or seventy per cent is not competitive in Eastern Canada.

The CHAIRMAN: That is the case.

Sir HENRY THORNTON: I am not far wrong.

Mr. ALLEN: Approximately

Mr. DUFF: Square timber and round pilings?

Mr. ALLEN: Probably square.

Sir HENRY THORNTON: Probably squared.

Mr. ALLEN: We brought some pilings once or twice.

Sir HENRY THORNTON: Mr. Allen says on one occasion we brought some pilings.

The CHAIRMAN: It must have been extremely long stuff.

Sir HENRY THORNTON: It was not very much; it was over 40 feet.

Mr. ALLEN: In length.

Mr. DUFF: They move quite a lot of piling.

Sir HENRY THORNTON: We do not, Mr. Duff.

Mr. DUFF: You did a couple of years ago.

Mr. ALLEN: Not within the last two years.

Sir HENRY THORNTON: I do not think we would.

Mr. DUFF: I know one of the boats landed at Digby enough to build a big wharf there. One of my men claimed B.C. fir as piling; a mixture of wet and dry, will stand conditions far better than any other piling. I am just giving that for what it is worth.

Mr. DUFF: It is not as good as New Brunswick and Nova Scotia spruce.

The CHAIRMAN: I agree with Mr. Duff. There is this feature, they get length that you cannot get now in eastern Canada except at great cost.

Sir EUGENE Fiset: 12 x 12 x 40 feet long.

Mr. DUFF: I move this report be adopted.

Carried.

The CHAIRMAN: The Canadian National West Indies. Mr. Allen, is there any improvement in the situation there?

Mr. ALLEN: There is a slight improvement; I think we have a very material improvement this year.

The CHAIRMAN: I am glad to hear that.

Mr. DUFF: Would you let me know why you have to operate these particular boats?

Mr. ALLEN: It is part of a treaty obligation.

Mr. DUFF: What part?

Mr. ALLEN: The part in connection with freight service to the eastern islands in conjunction with passenger service.

Mr. DUFF: From Nova Scotia and New Brunswick?

Mr. ALLEN: Montreal in the summer, Halifax and Saint John in the winter. We direct the steamships from Halifax.

Mr. DUFF: As part of the agreement?

Mr. ALLEN: Part of the agreement.

The CHAIRMAN: Are these freight boats making or losing money?

Mr. ALLEN: The eastern boats?

The CHAIRMAN: Yes.

Mr. ALLEN: The eastern boats are not making any money; the cargo boats are not making any money. That is the reason why we asked for the transfer of the three larger boats from the Canadian Government Merchant Marine to the Canadian National West Indies freight. They are approxim-

ately the same type to operate as the smaller type of boat. We can operate these steamers at a saving of 25 per cent.

The CHAIRMAN: That has been done?

Mr. ALLEN: That has been done.

The CHAIRMAN: You have effected a saving there? Well now, with regard to the Lady boats, and the freight; I notice there is a reduction in the operating revenue as a whole. Are you getting your share of the freight from, say the Barbadoes?

Mr. ALLEN: No, sir, we are not.

The CHAIRMAN: What efforts are you making? I understand the reason is that competition is so keen from the foreign tramps operated by the Ocean Dominion Line.

Mr. ALLEN: And other foreign tramps as well, sir.

Mr. CHAIRMAN: In addition?

Mr. ALLEN: Yes.

The CHAIRMAN: Under bidding?

Mr. ALLEN: Under bidding. We had a freight rate on sugar, which is the principal commodity that moves out of Barbadoes at 19 cents, two years ago. We had to bring that rate down to 12 cents on sugar this year to come up to tramp competition.

The CHAIRMAN: That may be money well spent in the long run.

Mr. ALLEN: It may be.

The CHAIRMAN: I had some idea a year ago, possibly if you reduced the rate, you would get the business.

Mr. ALLEN: That is what we have to do.

The CHAIRMAN: I think myself, you know, that it is very unfair, on the part of the people of the British West Indies, after what we have done and the expense we have gone to, to establish this magnificent line of ships down there under the treaty, in good faith, in fulfilment of the covenant entered into under the Canadian West Indies treaty, that they do not support this line.

Mr. FRASER: What was the proportion of the freight we took away?

The CHAIRMAN: I was looking into it a year ago when I was down there, and it was a very substantial part.

Hon. Mr. MANION: Tell them about the difficulty this year in regard to sugar.

Mr. ALLEN: This year we decided we had to go out and meet this tramp competition from Barbadoes. We did not carry one pound of sugar from the island of Barbadoes over the whole of the past year.

Mr. FRASER: You carried some this year?

Mr. ALLEN: Yes. We had to cut in.

Sir HENRY THORNTON: To meet the price rate.

Mr. ALLEN: To meet that competition. We have booked up about 38,000 tons up to this time.

The CHAIRMAN: What proportion would that be—half?

Mr. ALLEN: Under half; the estimated crop is 75,000 tons, coming into Canada. At least 75,000 tons of shipments from Barbadoes.

Mr. FRASER: You said a moment ago you expected to do better this year. Why was that?

Mr. ALLEN: Reducing our operating expenses.

Mr. FRASER: Not all due to the increase in traffic.

Mr. ALLEN: No, I doubt very much whether there will be any increase of profit in regard to the western service.

Mr. CANTLEY: What are you carrying from Demerara.

Mr. ALLEN: Sugar, rice, cocoa beans—

Mr. CANTLEY: What are you getting?

Mr. ALLEN: The same price; you cannot quote one from one island, and one from another.

The CHAIRMAN: Distance has nothing to do with it.

Mr. ALLEN: Not a particle.

The CHAIRMAN: You still have competition with the Ocean Dominion?

Mr. ALLEN: Absolutely.

Mr. DUFF: I spoke a moment ago about having two sets of book-keeping for these two services. I notice that the head office expenses—I am not criticizing this, I am talking as a business man—of the Canadian National West Indies Steamships are \$300,000 and the Canadian Government Merchant Marine \$300,000. I notice management and office salaries of the Canadian National Steamships, \$175,000, and management and office salaries of the Canadian Government Merchant Marine, \$153,000; that is \$320,000 for head office salaries and management alone. Now, it seems to me that for a little business like this that is too much money.

Mr. ALLAN: That is not only head office; that is all offices.

The CHAIRMAN: That is management and office salaries of all offices. Well, of course, even at that Mr. Duff is quite right; it looks pretty large.

Mr. ALLAN: It is only 8·3 per cent of the earnings.

Mr. DUFF: I notice operation of Overseas Agencies, \$106,000, in addition to that.

Mr. ALLAN: That is Australia and New Zealand.

Mr. DUFF: I am talking of the items on page 6 and page 16.

Mr. ALLAN: That \$106,000 is the Australian and New Zealand offices.

Mr. DUFF: That is in addition to the head office.

The CHAIRMAN: They have reduced that by \$40,000.

Mr. DUFF: That may be, and that is the reason I think the two should be amalgamated.

The CHAIRMAN: You have the Austin firm at Bridgetown.

Mr. ALLAN: On a commission basis.

The CHAIRMAN: Is that a good basis, or would you do better if you had your own people?

Mr. ALLAN: We cannot afford to maintain our own offices at all those small islands. We have a general agent in Barbadoes who controls the West Indies islands. He has eleven ports of call.

The CHAIRMAN: He is supposed to be looking up business and making contacts?

Mr. ALLAN: And controlling the agencies.

The CHAIRMAN: Do you find that is necessary?

Mr. ALLAN: Yes.

The CHAIRMAN: I thought he was a very bright chap.

Sir HENRY THORNTON: The activities of these agents have to be checked and examined.

The CHAIRMAN: They are a very reputable house.

Mr. ALLAN: Yes.

Mr. DUFF: It is 6 o'clock. I move that the report be adopted.

Mr. McGIBBON: I have been looking over this list concerning the names of broadcasting artists, and I would like to have the other year as well.

The Committee adjourned to meet Friday, May 13, at 11 o'clock a.m.

MAY 13, 1932.

The Select Standing Committee on Railways and Shipping met at 11 a.m., Mr. Hanson presiding.

The CHAIRMAN: Gentlemen, the first order of business this morning is in relation to the question asked by Mr. Beaubien with reference to the improvements to the Chateau Laurier.

Sir HENRY THORNTON: This is the question asked by Mr. Beaubien: "what the Canadian National Railways spent in preparing the suite for the Prime Minister in the Chateau Laurier, the number of rooms he took, and what rent he paid?" The answer is (a) expenditures in preparation of the suite for the Prime Minister, alterations to building charged to capital, \$29,005.68; charged to operating, \$61,626.72; total, \$90,632.40; furnishings, charged to capital, \$20,111.54; charged to operating, nil; grand total charged to capital, \$49,117.22; charged to operating expenses, \$61,626.72; total, \$110,743.94. (b) Number of rooms, 17, alterations were made to 15 of these. (c) Rental, \$400 per month.

Rt. Hon. Mr. BENNETT: Mr. Chairman, my attention has been directed to the fact that a whispering campaign in connection with these expenditures has been going on for some time, and I think it desirable that a statement should be made without further delay. I have resided at the Chateau Laurier since I first came to Parliament. After I became Leader of the Opposition I had somewhat better quarters than I previously had. On one occasion Sir Henry Thornton was in my room talking some business, and he said, "How do you like your rooms?" I explained to him that I liked them very much; they were on the first floor, on the west side, facing these buildings. He said, "I should like to provide a suite at the end of this corridor," or words to that effect. And as a matter of fact, I was taken with the idea that I would have more commodious quarters for myself and my sister. After the election the matter was again referred to, and I find that I left here in September, as is well known, and in October, having spoken before that about the matter to one of my colleagues, I received an intimation dated October 3, 1930, that indicated that the changes at the Chateau would involve an expenditure of \$50,000, and that the railway car might involve, to which I shall refer later, an additional expenditure beyond what was originally thought. I immediately cabled as follows to Sir George Perley: "I agree that at cost indicated proposed alteration should not be made at Chateau or on car. In any event had intended paying interest."

That was the message I sent. That was dated the 3rd day of October, 1930, while I was in London. It will therefore be observed that the contemplated expenditure was \$50,000 on the changes at the Chateau. I have a memorandum prepared for Sir Henry Thornton indicating that that would be the maximum charge. "As a matter of fact, while we have not completed our estimates, \$50,000 would be the outside figure, and Schofield thinks \$35,000 or \$40,000 a nearer estimate." That is the position with respect to the hotel. I was not aware of the expenses having reached any such figure as indicated until this year. I did not take possession of the suite because I was alone and when I found that there were rumours of the expenditure being much larger than I had been told, I thought it very undesirable that I should. The manager of the hotel spoke to me in

September, 1931. I was not then in the suite. But in the same month, I asked him what the rent was. He communicated with Montreal, either went there or communicated I don't know which, and he told me that on the basis that I had discussed, namely that I was willing to pay six per cent on the expenditure to be made, I concluded \$5,000, and, after allowing for everything, \$80,000, would be a reasonable sum that I should pay six per cent upon. But I did not urge that matter on him. He took it up with Montreal, and told me what the charge would be. But he said further that as these are depressed times, that was a fair charge for yearly occupancy of these premises in the hotel, but further stated that I was expected to expend substantial sums in the hotel in hospitality expenses rather than going outside the hotel, which he thought would be very desirable. I think on the 17th of September I moved into the premises. I do not keep a very accurate statement of the moneys I expend. I spend them, if I have them, and that is all there is about it. But I asked the ledgerkeeper at the hotel to furnish me with a statement as to what my expenditures had been, and I have it just as it was handed to me. In the year 1930 I paid the hotel \$11,943.67; in the year 1931—and during 1930 I was absent five months, but I still paid for the premises I occupied—in 1931 I paid for the premises I occupied for 12 months, although I was absent apparently something like two months of that period, I paid \$19,838.38; and for the year 1932, the present year, in the first four months my payments to the hotel have been \$8,236.06. Those are the figures given me by the hotel ledgerkeeper yesterday.

Mr. DUFF: That includes rent and everything?

Rt. Hon. Mr. BENNETT: What I say; that is the sum I have paid the hotel. I might conclude that statement by saying that part of that would be repayment of cash that would be received by me. I am not in the habit of carrying much money; I sometimes ask for \$50 or \$25, and all such sums would be included. They have not been segregated; so I am not in a position to say how much of that might be small sums of cash received by me. I make that statement, Mr. Chairman, so there may be no misunderstanding about it. Those are the figures for that period. Those are the figures given to me, and that is all I can say with respect to the matter. I still think that there must be some error as to the amount expended in the alterations. Most all of you, Mr. Chairman, will realize where the rooms are. They are on the west side of the hotel, a number of small rooms, and the figures that are given for the number of rooms now include closets, I still think that the figures are out of all proportion to what I would expect the expenditure to be; and you will observe that the estimate given me in London was as I have indicated. I left here in September. When I received the information, I sent the cable in question, and when I came back, the letter that has been read here was shown me by Dr. Manion, the Minister of Railways, and for some reason the work did not progress very rapidly, and as a matter of fact it was September 17th when I took possession of the suite. I have always paid whatever sum I was asked to pay, in that and in other hotels. I have taken premises by the year, and I continued to pay whether I was in occupation or not. I am only too anxious to make known to this committee and to anybody who desires to ask any question, that I have not availed myself of the use of any officials of any department for gratuitous services to myself, nor do I propose to. If there is one thing about which I have tried all my life to be very careful, it is that. Neither the Experimental Farm nor the Public Works Department nor any other department of public service have contributed to my well being, or provided servants or worked for me, in any way, shape or form. The sums that I have mentioned to you, sir, represent what I paid the hotel outside of gratuities. That is the position in respect to that, and I have paid substantial sums.

Now, with respect to the car, about which questions have been asked. My memory is, at the present time, the railway asked me how I liked the car, and I told them there were certain inconveniences about it, and they said, "We are building a new car, or require a business car," and they said, "We will trade with you, if you so desire." Well, I said, "I would prefer another layout in the car than the one that is in this car." I thought nothing more of it until I received a message from Sir George Perley in London, confirming the matter, and I sent a cable to Sir George Perley that I just read. When I came back the car was exchanged for car 100. I saw the trucks under the present car, and they are old trucks. I looked at them one day after some question was raised in another place. I cannot see that, so far as this is concerned, it cost anything at all. What happened was, one car was taken, and another given. That is all. And the car that was given was a car that was being built, or about to be built, on the old trucks that are still under it. I believe a Prime Minister's car has been provided during the years. If it is not desirable that it should be, I am quite content. It is not a matter of importance to me whether I have it or not. That is all I think I can usefully add to that story, and I am ready to answer any question that may be asked about it.

Mr. GRAY: Mr. Bennett, you kindly offered yourself here as witness?

Rt. Hon. Mr. BENNETT: I have.

Mr. GRAY: I would like to ask one or two questions with respect to the hotel matter. You heard the statement given by Sir Henry to-day that your suite absorbed probably 17 rooms?

Rt. Hon. Mr. BENNETT: Fifteen rooms.

Mr. GRAY: I understood 17.

Rt. Hon. Mr. BENNETT: I think they said there are 17 in the present suite, including bathrooms.

Mr. GRAY: May I have that, Sir Henry. I thought it was 17.

The CHAIRMAN: This is what the statement says:—

The number of rooms 17.—alterations were made to 15 of these.

Sir HENRY THORNTON: I think the explanation of that is there were two rooms which were incorporated into the present suite without alterations, or without any material alterations.

Mr. GRAY: Mr. Bennett, I think I may safely say to you that you have lived a great part of your life in hotels?

Rt. Hon. Mr. BENNETT: Yes.

Mr. GRAY: And you are well aware of the standard rates of hotel rooms?

Rt. Hon. Mr. BENNETT: I am thoroughly well aware of the rates in hotels, and know it is a question of rates per annum based upon the question of occupancy.

Mr. GRAY: May I ask you what you paid for your former suite that you had prior to this?

Rt. Hon. Mr. BENNETT: I do not know the exact figure that I paid, but as I did not go into occupancy until September, I asked for the figures for 1930 that I paid the hotel, and I found I paid the hotel \$11,943.67.

Mr. GRAY: I am stating I am not concerned with what you paid to the hotel, I am concerned with how much you paid by way of rental for the suite that you occupied prior to this one.

Rt. Hon. Mr. BENNETT: I have not those figures beside me, except that I observe I paid in the month of October, \$372, and November, \$360, I notice in the slips I have before me.

Mr. GRAY: How many rooms?

Rt. Hon. Mr. BENNETT: I had, if you count them all, a bedroom, sitting-room, another bedroom, and a small room.

Mr. GRAY: May I take it the rental was at least \$200 a month for the four?

Rt. Hon. Mr. BENNETT: I assume you can find out from the hotel accurately. I do not carry them right in my mind, but I should think it was that.

Mr. GRAY: We now agree that you are paying \$400 a month for these 15 or 17 rooms?

Rt. Hon. Mr. BENNETT: There is no doubt, that is what I have been asked to pay.

Mr. GRAY: Yes; that is what you are paying.

Rt. Hon. Mr. BENNETT: I am paying always what I am asked.

Mr. GRAY: Might I suggest you put it on a per diem basis. Would you tell from your head how much that amounts to per day per room?

Rt. Hon. Mr. BENNETT: I am not going to make that computation, Mr. Gray, for you. I do not propose to make that computation for you.

Mr. GRAY: Supposing I do.

Rt. Hon. Mr. BENNETT: You can make it, I assume, as well as I.

Mr. GRAY: Taking an average month of 30 days, rental of \$400, and it comes to something like a little over \$13 a day for 17 rooms. Do you dispute that?

Rt. Hon. Mr. BENNETT: I am not disputing it.

Mr. GRAY: Do you consider that that is a fair sum to pay?

Rt. Hon. Mr. BENNETT: I am not answering that question for the reason that I am not conducting the hotel. I am not the manager of the hotel. The hotel has been managed by the Canadian National Railways System, and they asked me that much money, which I have paid. If they asked me five I would have paid it. I have nothing whatever to do about imposing rates at all, but I do know this that the question of the occupancy of the hotel is what determines the rate, when you hire a place. If you have not had any experience in that regard, I have.

Mr. GRAY: Not to the same extent.

Rt. Hon. Mr. BENNETT: I rent it by the year. I think I said I was willing to take it for a couple of years if they so desired. That is the position; they rent it to me, not by the day, but by the year, and I have paid.

Mr. GRAY: As Prime Minister of this country, having in mind what these alterations have cost the country, do you still persist in the thought that you have no responsibility with the respect to what a reasonable payment is for the hotel?

Rt. Hon. Mr. BENNETT: I still believe that the statement as to the cost must be erroneous, in view of the representations I have in writing, that the maximum figure was to be \$50,000. That was in October, 1930.

Mr. GRAY: Would that amount include furnishings?

Rt. Hon. Mr. BENNETT: All I know is that is what it says here. This is what Sir Henry Thornton says: "As a matter of fact, while we have not completed our estimates, \$50,000 would be the very outside figure. Schofield thinks \$35,000 or \$40,000 a nearer estimate."

The CHAIRMAN: Who is Schofield?

Rt. Hon. Mr. BENNETT: I understand the architect.

Mr. GRAY: Did you make any enquiries on your return, Mr. Bennett, as to what the actual outlay had been?

Rt. Hon. Mr. BENNETT: I am not in the habit of doing things like that.

Mr. GRAY: With respect to furnishings, did you make any enquiries there?

Rt. Hon. Mr. BENNETT: As a matter of fact, I was not familiar with furnishings until they were made.

Mr. GRAY: When did you learn that these hotel alterations had cost this country \$110,000?

Rt. Hon. Mr. BENNETT: I did not know the figures until I saw them the other day, but I had been told by Mr. Van Wyck that it was over \$100,000.

Mr. GRAY: When were you told that?

Rt. Hon. Mr. BENNETT: That was right before I went into occupancy.

Mr. GRAY: In view of that, and your prior suggestion that you were desiring to pay six per cent on the investment, did they suggest to you that your rental therefore should be increased in view of that increased cost of alterations?

Rt. Hon. Mr. BENNETT: I did not say that. I said I proposed to pay interest of six per cent on the cost that was estimated to me. I told you exactly what had happened.

Mr. GRAY: Yes.

Rt. Hon. Mr. BENNETT: That I was asked—I did not go into possession—it was not built for me. The place was not made for me. After I declined to take it, and had sent the cable, so stating I declined to take it. It was then no longer being done for me; it was done as a matter of business by the hotel management. I hope you have got that in your mind. The suite was not made for me. I cabled directing that it be not done, in consequence of a cable that I received in London from Sir George Perley dated the 3rd of October. Then the president took the matter up with the Minister of Railways, as to the completion of this suite, and it is open for anybody who wants it. I am willing to vacate it to-morrow.

Mr. GRAY: As a matter of fact, you have no lease with the railway?

Rt. Hon. Mr. BENNETT: I have no lease, no.

Mr. GRAY: You can vacate to-morrow, if you desire?

Rt. Hon. Mr. BENNETT: As a matter of fact, if the railway say they desire me to stay, I think I am bound to stay.

Mr. GRAY: You have no written lease?

Rt. Hon. Mr. BENNETT: I have not a written lease, no.

Mr. GRAY: Is it not a fact that plans were submitted to you while in London?

Rt. Hon. Mr. BENNETT: Plans came over, my memory is that plans came over, but I paid no attention to them one way or another. I was concerned with other things. I think they came back with me. I sent that cable. That is what I did.

Mr. GRAY: I can refresh your memory perhaps to this extent. There was a letter filed a few days ago, when this matter came up, to the Minister from Sir Henry, dated January 2, 1931. Sir Henry said in the second paragraph:—

Shortly after the last election I heard that the Prime Minister was considering building a house in Ottawa. Naturally we did not want to lose so important a guest, and out of that there grew the thought that we could quite justifiably arrange quarters for him at the Chateau which would measurably meet the facilities of the house. Accordingly, I had a plan prepared, representing what I thought should be done. After considerable delay, this plan was eventually approved.

Hon. Mr. MANION: It does not say approved by the Prime Minister.

Rt. Hon. Mr. BENNETT: It does not say approved by me.

Mr. GRAY: I am asking if you approved.

Rt. Hon. Mr. BENNETT: So far as I can find out from the Canadian National Railways there was no approval given by me of their plans, because I learned after I came back the work actually had been started by October, 1930. That is what I had learned. Any facts in that regard can be ascertained. I did not charge my memory with the details of this, but only from my files that I have here; but as I say to you, when I found that \$50,000 was involved, I sent the cable. As a matter of fact, it may have been completed before September; but to be perfectly frank about it I didn't desire to go into the suite at all at the end. That is the real truth about it.

Mr. GRAY: All I want is some information.

Rt. Hon. Mr. BENNETT: Well, you are getting some information. It is easy to ascertain, if you desire the information, the number of pairs of boots I have. Probably you would like to know what it cost me to run my automobile last year, or what I pay my tailor?

Mr. GRAY: Well, I presume you pay for your boots the proper price that any ordinary individual pays.

Rt. Hon. Mr. BENNETT: I am in the habit of paying what the maker of the boots charges me.

Mr. GRAY: And you pay the retail price for them?

Rt. Hon. Mr. BENNETT: I cannot say as to that; I pay what I am asked to pay.

Mr. GRAY: Let me go back, Mr. Bennett, to the cost of this suite. Did you know the cost of this suite before you went into occupancy?

Rt. Hon. Mr. BENNETT: I did not know the cost of it, no. I know that it was said to have cost over \$100,000; but there was a picture in that suite which I am told cost \$20,000; and, of course, it was removed before I went in. I, therefore, had no idea as to what the cost was definitely until the last ten days, and then I learned what is now before the Committee.

Mr. GRAY: And did you inquire at that time as to the rental you had to pay?

Rt. Hon. Mr. BENNETT: When?

Mr. GRAY: At the time you went in.

Rt. Hon. Mr. BENNETT: I certainly did. Mr. Van Wyck, the manager, told me. He either said he had been to or had telephoned to Montreal, I don't know which.

Mr. GRAY: I say again to you that you did not suggest in view of the low rental that was being allowed, and in view of the increased cost, that you ought to pay a higher rental in proportion to the cost?

Rt. Hon. Mr. BENNETT: As a matter of fact, I did not know until the other day that the cost was more than \$80,000.

Mr. GRAY: Now that we do know, Mr. Bennett, may I come back again and ask you: Do you consider that you are paying a fair rental for the investment made in that hotel?

Rt. Hon. Mr. BENNETT: As a matter of fact I still think that the investment is not as indicated; I think there must be some error. Knowing the place as I do over a period of from fifteen to seventeen years, and knowing the changes made, I cannot think that it is possible. So far as I am concerned, I have paid what I have been asked to pay, and I am paying now what I have been asked to pay. If I am asked to pay a larger sum I will either pay that sum or vacate the premises, as they were not constructed for me.

Mr. GRAY: Do you say that quite frankly?

Rt. Hon. Mr. BENNETT: They were not constructed for me, because of what I have said; when I found that it involved such an expenditure I cabled, as indicated.

Mr. GRAY: Did you occupy them when you came back?

Rt. Hon. Mr. BENNETT: I did not take possession until September, 1931.

Mr. GRAY: Were they completed prior to that?

Rt. Hon. Mr. BENNETT: Yes.

Mr. GRAY: How long?

Rt. Hon. Mr. BENNETT: I don't know for how long, for some time.

Mr. GRAY: You have mentioned, Mr. Bennett, the total sums that you have paid to the hotel during several years, and I think I may take the stand that you have paid for the entertaining of your guests, and so on, but supposing that you decided that you would cease giving banquets, entertainments and matters of that kind, do you still insist that a rental of \$13 a day for your suite is a fair rental to pay?

Rt. Hon. Mr. BENNETT: As a matter of fact, when Mr. Van Wyck said that was the rental he stated it was on the assumption that the entertaining that I would do I would do in the hotel.

Mr. GRAY: Do you think that should be included in any allowance made?

Rt. Hon. Mr. BENNETT: Certainly Mr. Van Wyck was of the opinion that they would make a corresponding profit, I take it, by reason of the sums I expended.

Mr. GRAY: I am not asking Mr. Van Wyck's opinion; I am asking yours.

Rt. Hon. Mr. BENNETT: I respectfully indicate to you that I am not conducting the business for both parties at the same time. The proposition was put to me which I accepted, and I have paid accordingly.

Mr. GRAY: Do you get that allowance in other hotels throughout the country?

The CHAIRMAN: I do not think that is a relevant question and I rule it out.

Rt. Hon. Mr. BENNETT: I am perfectly willing to answer.

Mr. GRAY: Mr. Bennett, I have tried to be fair with you, but is it your idea of statesmanship to occupy a suite of 17 rooms paying the Canadian National Railway people the sum of \$13 a day, because I remember a remark by an honourable gentleman in the House respecting those who received something that they don't give value for.

Rt. Hon. Mr. BENNETT: Well, there is a great difference between receiving stolen goods, Mr. Gray, and goods that have been paid for. I am a guest at the hotel. I am paying at that hotel the price which the hotel asks me to pay. If they ask more then I will consider whether or not I will pay it or vacate. I have never been in the habit of fixing both the vendor's and purchaser's price. I started in on this assumption, that it would cost me 6 per cent,—I thought that was a reasonable sum to pay upon the improvements they put on the hotel at \$50,000; that would represent \$3,000 per annum, and I was willing to pay that to the hotel. I am still surprised beyond words that those improvements cost any such sum, and, as a matter of fact, I was quite willing to go into the premises on that assumption.

You asked me what my experience in other hotels has been. It is this: The prices of hotel rooms are fixed on the basis of the percentage of occupancy during the year, and if they have a yearly occupancy they work out the rate on the basis of the percentage of the time that it is ordinarily occupied. Mr. Van Wyck tells me that those fifteen rooms would bring \$63.50 per day if they were occupied all the time, but he tells me that the average occupancy of them

would be one day per week owing to their size and location, and that he has actually got more money from me than he would have got from the fifteen rooms.

Mr. GRAY: That is, after the change?

Rt. Hon. Mr. BENNETT: After the change, yes.

Mr. GRAY: But before the change?

Rt. Hon. Mr. BENNETT: Before the change they would average one occupancy per week, one day per week, 52 weeks in the year. I suppose you do not know but the rooms were very small rooms with high ceilings, on the first floor, and they are the farthest away from the elevator of any rooms in the house. In going to them you have to pass by the Quebec suite where people are frequently being entertained, and that is not altogether an advantage. However, I have paid what I was asked to pay, and that represented the average rent of occupancy of the property. As I say, I originally started in on the assumption that the expenditure would not exceed \$50,000. I have been offered houses on a much more reasonable basis that would be quite as satisfactory, from my standpoint. I have gone to London and I have arranged in hotels for rooms by the month and the figure in a month in relation to a day is rather surprising. It is purely a question of occupancy.

Mr. GRAY: Do you get a special allowance because of entertaining at those hotels?

Rt. Hon. Mr. BENNETT: I was not getting any special allowance because of entertaining here. I did not say that, and I wish you would not put words in my mouth. However, Mr. Van Wyck said that he would expect me to entertain my guests, as I do, at the hotel rather than outside, as I had been accustomed to do, and I told him that was my intention, because the hotel is so admirably equipped for that purpose. I do not know of a place in the world better equipped for entertaining on a large scale than that hotel.

Mr. GRAY: I am instructed that members who stay there the season round pay \$4 or \$5 a day for their rooms and get no allowance.

Rt. Hon. Mr. BENNETT: I do not know what you mean by the season round.

Mr. GRAY: Well, the session.

Rt. Hon. Mr. BENNETT: That is a different thing. I was absent five months in 1930 and I paid for twelve. I want to bring to your mind this fact, that it is a continuous occupancy, and I pay by the year and not by the day, nor by the week, and that whether I am there or not, whether the facilities are being used or not, I still am paying.

Mr. GRAY: Well, then, just one more question: In view of the fact that you now know that this suite did cost a great deal more than you thought or estimated, and if you find that those figures are correct, are you prepared in view of the condition of the Canadian National Railways to make an adjustment with them and pay what might be more commensurate for the suite by way of rental?

Rt. Hon. Mr. BENNETT: It is an amazing thing that one in the position of a member of the House of Commons should ask me what I am prepared to pay. I have been prepared all my life to pay my debts, and shall always endeavour to pay my debts. When the hotel asks me for an additional sum for my apartments I will consider whether I shall pay it or not.

Mr. GRAY: Do you not consider, Mr. Bennett, that it makes any difference whether or not you occupy the position of plain Mr. Bennett or Mr. Bennett the Prime Minister of this country? Doesn't it strike you as making a difference?

Rt. Hon. Mr. BENNETT: I don't know what you mean.

Mr. GRAY: I cannot make it plainer. Do you not think, as the Prime Minister of this country and one who has a certain responsibility to those Canadian National Railways, that you should certainly consider whether or not you are being fair in the way of—

The CHAIRMAN: The Canadian National Railways provided a house free for Sir Henry Thornton.

Mr. GRAY: I am not discussing that.

Rt. Hon. Mr. BENNETT: My position is this, and I want to make it perfectly clear: Do you, for instance, say to the hotel "I think the price charged is not adequate."

Mr. GRAY: I am not the Prime Minister of Canada.

Rt. Hon. Mr. BENNETT: No, I should think not. Does any guest do more than pay what he is asked to pay? I receive my bills from the hotel. There is the record of the hotel as to what I pay.

Mr. GRAY: If I got a room for seventy-five cents a day I would think there was something funny about it, Mr. Bennett.

Rt. Hon. Mr. BENNETT: I can only suggest this, if there is anything funny about it, it might have been the desire on the part of some people to compromise me—I don't know; I have not any thought of that in my mind. It might have been, but I have not had that thought. I paid exactly what I was asked to pay, and I believe that \$5,000 a year—as a matter of fact \$5,000 was the sum that was mentioned—is the sum that I pay for the use of those premises whether I occupy them or not. That is the sum the railway company has asked me to pay. Your suggestion is that I should volunteer to pay a larger sum?

Mr. GRAY: I certainly do.

Rt. Hon. Mr. BENNETT: Because the railway company has spent more money than they should, that is your suggestion?

Mr. GRAY: Yes.

Rt. Hon. Mr. BENNETT: Well, I have never been in the habit of dictating other peoples' prices who do business with me. I simply pay what I am asked to pay.

Mr. GRAY: What I do suggest, Mr. Bennett, is that you had in mind when you first considered the proposition the amount of capital expenditure to be involved and that you then discussed the question of how much you should pay, taking it from an interest point of view, and you discussed it with them; therefore, you had something to say with respect to how much you should pay.

Rt. Hon. Mr. BENNETT: It would be observed I said in the telegram to Sir George Perley that I proposed to pay interest on the capital expenditure on a basis not exceeding \$50,000, which is \$3,000 per annum which, added to \$1,800 made \$4,800. I do not remember what I paid before, but at any rate I was willing to pay six per cent, of course, upon a reasonable expenditure estimated at not more than \$50,000; and if someone made an expenditure beyond that surely I have a right to determine whether or not I will pay more or less than I was asked to pay.

Mr. DUFF: Mr. Chairman, Mr. Bennett in his statement, if I got it correctly, said that the rental he pays of \$400 a month is based on an interest rate of six per cent on \$80,000.

Rt. Hon. Mr. BENNETT: I did not say it is based on that, no. I did not say the present rate is based on that. I explained the circumstances in the estimate of cost, and I said, "That is what I was asked to pay."

Mr. DUFF: Yes, you were asked to pay six per cent on—

Rt. Hon. Mr. BENNETT: No, no.

Mr. DUFF: Well, the rate is based on an interest charge of six per cent on eighty thousand dollars?

Rt. Hon. Mr. BENNETT: Surely the hon. gentleman knows what was said. I said originally I had expressed a willingness to pay six per cent interest on the cost of making the alterations providing I have an estimate of them there, and you see what I have read, but when it came up to another figure, well, that is a different thing altogether. There was no question then of any interest rate or anything. They just told me what they wanted from me and I said, "All right."

Mr. DUFF: I suggest, Mr. Chairman, that this rate of \$400 a month is based on a rate of six per cent on an investment, or an expenditure of changes in those rooms of \$80,000. I would like to suggest further to you, Mr. Bennett, that this figure of \$80,000, even at that figure—of course the figure was more—but taking the figure of \$80,000, is it not a fact that the investment to the hotel is much greater than that \$80,000, or \$110,000? These seventeen rooms, I suggest, comprise part of that hotel, and in order to arrive at a proper rental basis by the hotel authorities—I am not saying you—but by the hotel authorities—instead of figuring a rental value on a basis of either \$80,000 or \$110,000, I suggest in view of those circumstances it should be based on about \$200,000. In other words, the cost of that part of the hotel, the building itself, must be added to the amount of the alterations and repairs amounting to \$110,000. Do you not think that the rental basis should be based on the building instead of on the repair account?

Rt. Hon. Mr. BENNETT: Mr. Duff, I really am not a hotel man. I do not think that hotel was constructed, or the several million dollars that have been expended on it were spent on the theory that it was going to pay a large dividend. This was the capital city, so the Grand Trunk Pacific Development Corporation said when they started it. They built the hotel originally, and a place in the park was provided for it because this was the capital; then the demand for further space came. I am told, by those who know, that the question of rates in hotels have been based upon the question of occupancy. If you have a 100 room hotel which is occupied fully for every day in the year then your rates are based upon 100 per cent occupancy. It becomes, of course, a much lower rate than if you have a 50 per cent occupancy, or a 40 per cent occupancy or a 30 per cent occupancy. All I know is the management of the hotel tells me that the fifteen rooms that were incorporated into one flat were fifteen small rooms, and that the average occupancy of them would be one day per week, that is, 52 days per annum because of their location and their size and other circumstances, except in times of conventions when every room is taken. I just give you that as I received it. My opinion is no more valuable than yours in respect to that, nor yours than mine.

Mr. DUFF: I might suggest to you, Mr. Bennett, along that line, that I occupied one of those rooms that now comprise your suite, for a session and I paid \$8 a day for the whole session, for one room, a bedroom. The total investment as far as the Canadian National Railways is concerned is \$110,000 plus the cost of the construction of that hotel as it applies to those seventeen rooms.

The CHAIRMAN: Mr. Duff, I think they owe you a refund.

Mr. DUFF: Will you try and get it for me?

The CHAIRMAN: Well, will you give me a commission?

Rt. Hon. Mr. BENNETT: I think the hon. gentleman is wrong about the figure.

Mr. DUFF: This \$400, Mr. Bennett, you pay is paid for yourself alone or for any guests you might have at any time?

Rt. Hon. Mr. BENNETT: It is paid for the flat.

Mr. DUFF: You pay for the flat?

Rt. Hon. Mr. BENNETT: For the flat.

Mr. DUFF: So that if you have two or more people occupying that flat in addition to yourself there is no additional amount over the \$400 paid by you?

Rt. Hon. Mr. BENNETT: Well, I have not inquired as to that. I do not check my account with great accuracy, but judging from the size of the account probably they do make some extra charge; however, I do not know; I cannot answer that. All I know is I rent the flat.

Mr. DUFF: Now, in addition to the occupancy of the rooms, did you get any service from the hotel outside of just the occupancy of the rooms themselves—maid service and other services in connection with the hotel—for that \$400?

Rt. Hon. Mr. BENNETT: The same as any other guest in the hotel, as far as I know.

Mr. DUFF: Maid service and laundry?

Rt. Hon. Mr. BENNETT: Oh, no, not laundry.

Mr. DUFF: I do not mean personal laundry, but hotel laundry which is paid for by the hotel, and maid service?

Rt. Hon. Mr. BENNETT: I assume so.

The CHAIRMAN: He did not do his own washing.

Mr. DUFF: What I am getting at is this: Mr. Bennett, in his statement said—or I understood him to say—that the six per cent investment on \$80,000 would be \$4,800, which he is paying.

Rt. Hon. Mr. BENNETT: Once more, Mr. Duff, you must not say that. I say that I originally indicated, and my cable says that I was willing to pay interest at 6 per cent, and the sum mentioned at the utmost was the \$50,000. I state, as a matter of fact, that \$4,800 is 6 per cent on \$80,000. I do not say that that is the basis on which it was fixed. I explained that the management told me what the rate was, and that is what I paid.

Mr. DUFF: Basing the rental on an \$80,000 investment at 6 per cent there must be deducted from that \$400, in as far as net income to the railways is concerned the expenditures which the railways are subject to with regard to maid service and other services—there must be deducted from the \$400 per month something for those services.

Rt. Hon. Mr. BENNETT: I have nothing to do with the business of the hotel.

Mr. DUFF: I know. I cannot blame you if you got it for \$200.

Rt. Hon. Mr. BENNETT: What I am not going to do is get into an argument about anything. I did not have any argument about the amounts I paid. I pay what I am asked to pay, and I trust I will be long able to do so; otherwise I will not incur obligations which I cannot meet.

The CHAIRMAN: Are there any other questions? If not we will close this inquiry.

Rt. Hon. Mr. BENNETT: Now, Mr. Duff, one word about the car. I desire to make that perfectly clear. The memorandum from the president reads as follows:—

As far as car is concerned we are badly in need of additional car for ourselves. I propose taking over the Prime Minister's car for this purpose and constructing in its place a suitable one for him.

That is the statement, and I desire to make it clear as far as I am concerned that that is all that was done. If it is the recommendation of the committee that the Prime Minister of this country should not have a car I certainly will not make any complaint.

Mr. DUFF: I do not want to go into the car question much further, except that I would like to know the actual cost of this car, because there has been a good deal of comment in the country about it. Since you have brought it up, do you think, under the present financial condition of the Canadian National Railways, that it was necessary for the railway to take this other car for business purposes and build a new car for you as Prime Minister when there was a suitable car formerly used by the previous Prime Minister?

Rt. Hon. Mr. BENNETT: You still have the wrong view, the wrong angle. I am not unmindful of the fact, Mr. Duff, that in some remote school districts an effort will be made along the lines you mention; but in September, 1930, before I left for England, the only discussion was that the Canadian National urgently required another car. I believed that to be true as I still believe it, because later the memorandum of the president was, "As far as the car is concerned, we are badly in need of an additional car for ourselves. I propose taking over the Prime Minister's car for this purpose and constructing in its place a suitable one for him." As a matter of fact, following Sir George Perley's cable I said, don't do even that so far as we are concerned, but they had started building their own car and they turned that over to me and took the other. That is the position. The railway company wished a car which, I think, was in process of construction at the time Sir Henry spoke to me. My understanding was that they were constructing another car for themselves, which they needed, and since they needed the car, they said, "you can have it if you prefer it; we will fix it up the way you want it, and we will take this one." Originally, I am satisfied the one they took cost more to make than the one I got. If you desire to see the car it is down there. I shall make arrangements. Anybody can go and see it. It may be that someone would like to see this suite of rooms.

Mr. DUFF: You might stage a party for us and we will go down.

Mr. GRAY: I would like to ask Sir Henry Thornton a question, and I think the committee should have an answer. Perhaps he cannot give the answer at the moment. Sir Henry, I would like to have the returns of the rents of those seventeen rooms for the twelve months prior to the alterations being commenced?

Rt. Hon. Mr. BENNETT: I think that has been done. I asked to have it done. I asked Mr. Van Wyck if he could ascertain what had been the revenues, and he told me that on the closest estimate he had been able to make up to that time—it takes a lot of effort to go over the large number of rooms in hotels—the total rental of the rooms if they were full every day would be \$63.50 a day.

Mr. GRAY: At what rate?

Rt. Hon. Mr. BENNETT: At the current rates. Whatever they were, I do not know. I did not ask him that. He also said that they had not all been used except when there was a convention, and the place was full. He said, as far as he could ascertain—because the whispering that has been going on about this matter naturally came to my attention to some extent, and that is the reason why I am here—he said his closest investigation showed that the average occupancy of the fifteen rooms was one day per week per annum; that is, fifty-two days was the percentage of occupancy of those rooms during the year. That is the figure he gave. But he said it would take a very long time to work out details, as I can readily understand.

The CHAIRMAN: I think it is in order to have a statement from the management on this matter, in addition to Sir Henry Thornton's letter.

Hon. Mr. CHAPLIN: I think a statement from the management is very desirable. This is another illustration of the extraordinary foolishness of the expenditures in the hotel and other management in this country.

Sir HENRY THORNTON: Mr. Chairman, the Rt. Hon. Prime Minister has given you a statement of the circumstances leading up to the preparation of this suite and his occupancy. So far as my own information goes—and I believe it

to be both complete and accurate—that statement is correct. Some question has been raised with respect to the accuracy of the figures relating to the cost of the suite, and I will take immediate steps to have that checked down to the utmost detail. I might say, as far as this whole transaction is concerned, the Canadian National Railways and its officers regarded it as a business proposition and from no other point of view. The desirability of retaining so important a client in the hotel as the Prime Minister of Canada, of course, is obvious to everyone. I think the matter first came to my attention when Mr. Van Wyck mentioned to me that he understood that the Prime Minister was looking for a house and regretted that we were going to lose him. With that regret I agreed, and I said it would be an unfortunate thing for the hotel if the Prime Minister went elsewhere; whereupon, as the Prime Minister himself has outlined, I discussed the matter with him and out of that there grew the preparation of this suite. Another factor in the transaction was that while we had a certain number of suites consisting of bedroom, sitting room and bathroom, and in some cases a dining room, still we had nothing which corresponded to what is generally called in this country a vice-regal suite; in other words, there was no commodious suite which would house an important guest from abroad such as, let me say, the Prime Minister of England or the Prince of Wales, if you like, or the Duke of York, or anyone of that importance who might come to this country. Consequently, the introduction into the hotel of a suite of that character for that purpose, quite apart from the Prime Minister himself, was a desirable thing to have. Now, all of those circumstances led, as the Prime Minister himself has pointed out, to the preparation of that suite. There is an item of some \$20,000 for furnishings in the suite which the hotel department never regarded as specifically assigned to that suite. In other words, those were furnishings of different sorts which might be moved into any room or to some other hotel. It was part of the general hotel equipment and was not necessarily in perpetuity allocated to this particular suite. I said a moment ago that the railway hotel department regarded this purely as a business proposition, and I have said in that previous letter that I assume, and the hotel department assumes, entire responsibility for the sagacity and the wisdom of that arrangement as a business proposition, and that is just as true to-day as it was a year or more ago when I think I wrote a letter to Dr. Manion and explained the position of the hotel department. It is purely a business proposition.

Hon. Mr. MANION: And you adhere to the statement in that letter?

Sir HENRY THORNTON: Certainly. We would not have gone into it in the first place if we did not think it to be a sound business proposition.

Hon. Mr. MANION: May I ask you two questions to clear up this matter. Would you consider as one having had a lot to do with hotels that the value of a guest to the hotel does not only depend upon what he pays for his rooms but on his total payments to the hotel for all lines of service?

Sir HENRY THORNTON: That is my opinion, and it is borne out by this fact that in some hotels in which I have been a guest they make you a charge for the rooms, making a certain charge providing you take your meals in the hotel, and if you take your meals elsewhere and only occupy the rooms the charge for the rooms is greater; and I have been in hotels where I have perhaps taken more meals out of the hotel than the hotel management thought was fair, and they have never failed to call my attention to it. Now, in this particular instance, the total amount which the Prime Minister spent in the Chateau Laurier for the year 1931 was in round figures \$20,000. This year it seems to be running a little more than that. As a business proposition we regard a guest—and I think this is true of any hotel—whose presence in the hotel resulted in a revenue of \$20,000 a year or thereabout as a valuable guest.

Hon. Mr. MANION: That would be only horse sense.

Sir HENRY THORNTON: Now, I want it to be quite clear, as far as the hotel is concerned, that this is entirely a business proposition with us; nothing else was involved in it whatsoever.

Hon. Mr. MANION: I would like to ask you this question: Mr. Van Wyck, you say, thought this matter over, and Mr. Van Wyck was entirely in accord, and I would ask you whether he is not considered by the Canadian National Railways as the very best or certainly one of the very best hotel men?

Sir HENRY THORNTON: I regard Mr. Van Wyck as a very competent, experienced hotel manager. Now, I do not know that I can add very much to it except simply what I have said.

Mr. POWER: The fact remains, Sir Henry, that seventeen rooms have been wiped out of the revenue producing items of the Canadian National Railways; am I right?

Sir HENRY THORNTON: I think it is fifteen.

Mr. POWER: Fifteen rooms have been wiped out, and you are getting nothing in return.

The CHAIRMAN: They have not been wiped out; they are getting \$4,800 a year for them.

Mr. POWER: I would suggest that the \$4,800 would represent only a portion of the interest on the alterations, and there is nothing being paid in the way of rental for the other fifteen rooms. Of course, it is a matter of opinion.

The CHAIRMAN: That is just the way it strikes you at the moment.

Rt. Hon. Mr. BENNETT: I think it is only fair to say that I observe from looking at my papers that as long ago as October, 1930, the opinion now expressed by Sir Henry Thornton is borne out in these words:—

In conversation with Schofield our architect whom I happened to meet here to-day he informs me extent of alterations at Chateau fully explained to Prime Minister and accommodation to be provided represents his wishes. He was not informed of exact cost as we did not know ourselves what was involved and hardly do yet but he must certainly have had as much conception in his mind of cost as we ourselves because he was familiar with extent of alterations and said that while job should be done in good taste he did not want unnecessary money expended on it. As a matter of fact while we have not completed our estimates \$50,000 would be the very outside figure and Schofield thinks thirty-five thousand or forty thousand dollars a nearer estimate.

Mr. POWER: Sir Henry, in your letter to Mr. Manion which was read here the other day dated January 2nd, 1931, you said:—

I cannot see that anyone can criticize the railway company for providing suitable apartments for the Prime Minister of the country providing he pays a proper rate for the use of that accommodation.

Do you still abide by that?

Sir HENRY THORNTON: Absolutely.

Mr. POWER: Do you think \$400 is a proper figure?

Sir HENRY THORNTON: Having regard for all the circumstances that was what was fixed by the hotel department.

The CHAIRMAN: Are there any other questions?

Mr. DUFF: Sir Henry, in regard to the guests paying money to the hotel outside of what they pay for the occupancy of their rooms, can you give us any idea how much money on an average would be spent by seventeen guests occupying seventeen rooms in a month?

Sir HENRY THORNTON: I am afraid I am not much more of a hotel man than any of the rest of us. I suppose a note of that question can be taken and we will try to get the figures. Probably an estimate can be made. I do not think I could tell you offhand.

Mr. DUFF: Of course not. I suggest to you, Sir Henry, that if seventeen guests occupied those rooms in addition to the three or four dollars a day which they would pay for those seventeen rooms they would be likely to spend a considerable sum of money outside of that amount?

Sir HENRY THORNTON: I suppose it would depend on whether they were Scotch and took their meals in the cafeteria or whether they took them in the restaurant.

The CHAIRMAN: That is hard on the Scotch.

Mr. DUFF: I am not Scotch. The fact remains that ordinarily guests staying in a hotel spend sums of money in addition to what they pay for their rooms.

Sir HENRY THORNTON: That, necessarily, is always a factor, and is considered by any hotel.

Mr. DUFF: And is it not also true that people who do not occupy rooms come to your hotel—the Chateau or other hotels—spend large sums of money for entertainment when they have large parties and so on?

Sir HENRY THORNTON: That is true. That applies to individuals, to organizations and to those who use the hotel facilities.

Mr. DUFF: Is not that a fact with regard to this present situation? That of some of those amounts which Mr. Bennett has spent in the hotel, a large proportion of those amounts are for the entertainment of his guests when he has them there and for which the hotel gives full value?

Sir HENRY THORNTON: A considerable proportion of that is true.

Rt. Hon. Mr. BENNETT: Is there anything more you want from me?

The CHAIRMAN: I do not think so, sir.

Mr. DUFF: Before the enquiry closes, may I ask Dr. Manion this. Dr. Manion read a letter the other day from Sir Henry Thornton in regard to this matter, and may I now ask if he sent a reply to that letter?

Hon. Mr. MANION: I don't think I ever did.

Mr. DUFF: Did you discuss it with Sir Henry after you received it?

Hon. Mr. MANION: Never that I remember of, no.

Mr. DUFF: Did you ever agree to the contents of the letter?

Hon. Mr. MANION: I never saw the letter until I got it from Sir Henry. What happened was Sir Henry came into my room or into my office, and we discussed the matter, and I said I heard there was some criticism of it, or something to this effect. He took full responsibility as he does now in the matter, and did it very heatedly, as I remember. He took full responsibility for the hotel changes, and he said he would write me a letter taking that full responsibility, and he wrote the letter accordingly.

Mr. DUFF: I think, Mr. Chairman, Sir Henry has broad shoulders, but what I am trying to get at is, did the Minister, either verbally or any other way, approve of the contents of the letter?

Hon. Mr. MANION: I never saw that letter until it was sent to me by Sir Henry and received by me, and so far as I know, we never had any discussion about it in any shape or form before or after except what I have just told you.

Mr. DUFF: You did not approve of it?

Hon. Mr. MANION: I had nothing to do with the letter; it was Sir Henry's letter, and I do not approve of Sir Henry's letters.

Mr. DUFF: The letter was addressed to the Minister. Did you approve or disapprove?

Hon. Mr. MANION: No; I got the letter just for the purpose that has arisen this morning, just because Sir Henry took full responsibility for it as the president and chairman of the Canadian National Railways. He took full responsibility as I thought he should, and I got it just for that occasion, if it came up; that is all.

Mr. DUFF: I do not object to that, Mr. Chairman, at all, the taking of full responsibility by Sir Henry Thornton. What I am trying to get at is whether the Minister, who really is Sir Henry's superior in this matter, and in matters regarding the railways, after he received the letter from Sir Henry, did he approve of the transaction or did he disapprove of it?

Hon. Mr. MANION: I had nothing whatever to do with the transaction, and I did not have to approve or disapprove. Sir Henry Thornton and the management of the railways could tear the hotel to pieces without having any consideration from me, so far as alterations are concerned. There was no approval that I know of being given at all, no discussion at all, either for or against it, until the matter was well in hand.

Mr. GRAY: Dr. Manion, if I understand you correctly you told Mr. Duff that you did not discuss this matter with Sir Henry before this letter was written.

Hon. Mr. MANION: I said a minute ago I did discuss it. I said I thought there was some criticism; I asked Sir Henry about it in my office. He took full responsibility verbally and I said, "You had better put it in writing," or something to that effect.

Mr. GRAY: I am speaking of the alterations. You did discuss that?

Hon. Mr. MANION: It never came up with me at all; the management of the hotel arranged that.

Mr. GRAY: It is reported on page 254 of the report that the following took place:—

May I preface this letter by saying that there has been a discussion between Sir Henry and myself about the alterations in the Chateau Laurier—

Hon. Mr. MANION: On that occasion that I have spoken of.

Mr. GRAY: No; let me go on.

—because we were tying up practically all capital expenditures that we could tie up, and Sir Henry wrote this letter.

Hon. Mr. MANION: Yes.

Mr. GRAY: You did discuss the question?

Hon. Mr. MANION: I discussed—

Mr. GRAY: Because you knew some of this was capital expenditure.

Hon. Mr. MANION: So far as my memory serves me, I discussed this with Sir Henry only on the occasion which I have mentioned to Mr. Duff. I asked him about it in a general way. I do not remember the verbiage of the conversation, but I discussed it in a general way, and Sir Henry Thornton right at that time took full responsibility, and said he would send me a letter to that effect.

Mr. GRAY: You thought at that time it was capital expenditure?

Hon. Mr. MANION: I presume part of it would be capital expenditure.

Mr. GRAY: Let me ask you this: was any order in council passed with respect to this capital expenditure?

Hon. Mr. MANION: I do not think there ever was any order in council passed at all. That is, not that I know of. I do not remember any order in council.

Mr. GRAY: Should there not be, Mr. Chairman?

Hon. Mr. MANION: I cannot answer that offhand. Apparently if there should be, then I think the management would have brought it to me, because I pass very many orders in council for them.

Mr. GRAY: I am asking for a matter of information. My impression is that capital expenditures require an order in council.

Hon. Mr. MANION: No, they do not require an order in council. I do not think they require an order in council in any shape or form once the budget is passed for the railway. Once the budget is passed for the railway, the railway has the spending of the money. If they change or switch the money, then there has to be an order in council. Once the budget is passed, as far as spending the money is concerned, they are in complete control, I have nothing whatever to do with it.

Mr. GRAY: Was this passed in any budget?

Hon. Mr. MANION: I do not remember, but there were alterations being made in the hotel about that time. The hotel had a new wing put on amounting to three or four million dollars, I think, perhaps more.

Mr. GRAY: I suggest to the Minister that that was all completed at that time.

Hon. Mr. MANION: Possibly.

Mr. GRAY: Should it not require an order in council?

The CHAIRMAN: That is a matter of legal opinion.

Hon. Mr. MANION: I am convinced it did not require an order in council, or the management would have brought me an order in council to sign.

Rt. Hon. Mr. BENNETT: I think this memorandum from Sir Henry Thornton would clear that up:—

There is sufficient money available to do what is proposed, and I can repeat that I am personally prepared to assume entire responsibility for what is done on the ground that it is a sound business proposition.

This is a memorandum not to me, but it was communicated to me while I was in London, and the President himself in September said it would not exceed \$50,000.

The CHAIRMAN: There are questions Mr. Duff asked about Mr. Bennett's car and questions Dr. Manion asked about Mr. Mackenzie King's car. Let us get them on the record.

Sir HENRY THORNTON: Mr. Duff asked this question:—

What was the total cost of the new car the Prime Minister now is using, including the cost of the trucks and body of the car which, I understand, was in the shops of the Canadian National Railways at Point St. Charles when the car was built, the total cost of everything, including the amount which was spent by United States decorators who came over to fix this car; and I would like also to know what became of the old car, No. 100, and how much money was spent on it after it was turned over to the Canadian National Railway officials as a business car?

The answer is:—

- (a) The Prime Minister's car, No. 100, was previously coach 5043,
- (b) The book value of coach 5043 was \$34,917—the salvage at time of conversion was \$25,000—the cost of conversion was \$50,554—the total of conversion cost and salvage is \$75,554.
- (c) No amount was spent for United States decorators in connection with this conversion.

(d) Upon the delivery of remodelled coach 5043, renumbered 100, the car then in use by the Prime Minister, the old York, itself renumbered 100, was released and renumbered 102.

(e) No money has been spent on this car since its release.

Dr. Manion asked this question:

How much did the first car that Mr. Mackenzie King had cost, and when he was not satisfied with that car, you might get the cost of what the second car he had cost?

The answer is:

(a) In 1927 the Prime Minister's car, No. 100, was remodelled at a total cost of \$44,963.

(b) In 1929 the "York" was remodelled at an expense of \$56,110.54, and was renumbered 100 and assigned to the Prime Minister, old 100 being released and renumbered 92.

Hon. Mr. MANION: So there were two changes made by Mr. King in regard to private cars, one in 1927 and the other in 1929.

The CHAIRMAN: At a cost of \$101,000.

Sir HENRY THORNTON: I may say this, Mr. Chairman, in regard to that: it always seemed to me that the Prime Minister of the country, irrespective of which political party he held his faith, was entitled to a suitable vehicle to travel about the country. Our distances in this country are long; sometimes the train services are not particularly convenient, and in the transaction of official duties, it is necessary for the Prime Minister, irrespective of party, to travel through the country, and under those circumstances, I have always felt that whoever he might be, he should have suitable and comfortable travelling accommodations. Now, it was that underlying principle which led to the conversion and alteration of those various cars for both the present and previous Prime Minister, to which reference has been made.

Mr. DUFF: Is it a fact that the car which you termed the old "York," was a wooden car?

Sir HENRY THORNTON: That was originally a wooden underframed car. I would call it that, and that was subsequently turned into a steel underframed car.

Mr. FAIRWEATHER: The "York" was originally one of the individual cars assigned to the Governor General, and it was, I understand, a wooden-framed car, and afterwards changed into a steel under-framed.

Mr. DUFF: Do you suggest that the previous Prime Minister, in view of the fact that it was a wooden car, and had to be changed to a steel car or a new car—

Sir HENRY THORNTON: Well, it would have to be altered to a steel under-framed car, otherwise it would be unsafe for operating purposes. As a matter of fact, two old cars which were used by the then Governor General were becoming old, and there was a very distinct element of danger in using those. In fact, the operating officers and myself never felt quite comfortable when these two cars were on the road.

Mr. DUFF: Was it your suggestion in view of that fact that that car should be changed?

Sir HENRY THORNTON: Yes.

Mr. DUFF: You took full responsibility?

Sir HENRY THORNTON: Yes.

Mr. DUFF: Any changes that were made with regard either to the old "York" afterwards known as the old "100," you take full responsibility for?

Sir HENRY THORNTON: Yes, certainly. The railway and myself assume responsibility for whatever our acts may have been.

Mr. DUFF: That second car cost a good deal of money to put in shape; did you consider that car fit for anybody to travel in?

Sir HENRY THORNTON: I beg your pardon?

Hon. Mr. MANION: It had been used for some years.

Mr. DUFF: I am asking about the condition of the car in 1930.

Sir HENRY THORNTON: It was in perfectly good condition, but as I recall the circumstances, the arrangements were unsuited to the Prime Minister, and as has been explained, we were badly in need of an additional car—we had one or two cars which some of our officers were using that in themselves had become unsafe.

Mr. DUFF: What was the arrangement that was not satisfactory to the Prime Minister?

Sir HENRY THORNTON: As I recall it, the kitchen was in the middle of the car, and it was open-ended at each end. The modern practice almost everywhere is to have the kitchen in one end. Now, if it had not been for the fact as has been stated, we required an additional car, that proposition would never have been made. But the proposition was made, was simply exchanging cars with a view to giving the railway a suitable car for its purpose, and the Minister a car which suited him, and when I say the Prime Minister, I am not speaking of Mr. Bennett or Mr. King or anybody else, it was simply the Prime Minister.

Mr. DUFF: Why did you need an extra car when there were three cars on the road?

Sir HENRY THORNTON: Well, as I recall it—

Mr. DUFF: Especially, in view of the financial condition of your road?

Sir HENRY THORNTON: This was in 1929.

Mr. DUFF: But there was quite an expense in having a new car.

Sir HENRY THORNTON: Two or three of those railroad cars had become unsafe, and I did not think it fair nor a desirable thing to entrust the lives of officers and those who may be travelling on that equipment which is unsafe, because a serious accident might occur. After all, the lives of the individuals and officers are important.

Mr. DUFF: Quite right.

The CHAIRMAN: Now gentlemen, are there any other questions or shall we definitely close this phase of the enquiry?

Closed.

Sir HENRY THORNTON: This is a statement in reply to a question asked by Dr. Manion:

Attached exhibit submitted pursuant to suggestion made by the Minister of Railways and Canals, Hon. Dr. Manion, in consequence of questions asked by Hon. Mr. Euler and Col. Cantley, on May 12. Rates shown as in effect between points in the Maritime Provinces are, in every case, the actual rates and reflect the reduction made of 20 per cent as ordered under the Maritime Freight Rates Act.

Now, there follows a long statement of the various rates and different classes. I take it you do not want me to read this.

The CHAIRMAN: Gentlemen, shall this go into the minutes? We shall put them in the minutes. (Printed as Appendix A to evidence taken this day.)

Sir HENRY THORNTON: I have here a question asked by Hon. Mr. Chaplin, as follows:

For 1930 and 1931, the names of tie contractors and addresses.

Lists attached showing names of all tie contractors and their addresses, covering purchase of ties for delivery in the years 1930 and 1931, by provinces.

That too, has a long list.

The CHAIRMAN: Shall it go into the minutes?

Hon. Mr. MANION: Do you want it in the minutes?

Mr. POWER: Yes.

(Printed as Appendix B and Appendix C to evidence taken this day.)

The CHAIRMAN: Mr. Power is especially interested in that. That ends all the enquiries that are ready for delivery.

Mr. DUFF: Just before you go on, shall we have a memorandum of the different tie contractors from 1920 to 1930?

The CHAIRMAN: Let us have them next year.

Mr. DUFF: All right, that will suit me.

The CHAIRMAN: Gentlemen, I suggest that if you have all read the annual report, the analysis of the 1931 operations compared with the 1930 operations, and the estimated financial requirements for 1932, that we pass this and close the public enquiry. Is that the wish of the committee?

Mr. DUFF: I move it be adopted.

The CHAIRMAN: Mr. Duff moves that the various reports that have been before the committee be now passed. Are you ready for the question?

Carried.

The CHAIRMAN: That, I think, concludes the public hearings of this committee. I suggest we meet on Tuesday to consider the evidence that has been adduced. The statements that are ready will then be handed in. Is that agreeable to this committee?

Hon. Mr. EULER: What statements are there to be handed in?

The CHAIRMAN: A number of miscellaneous ones. There is a question with regard to the passenger officers, and off-line passenger offices in the United States.

Hon. Mr. EULER: What else?

Hon. Mr. CHAPLIN: I asked a question in reference to the New York office.

Sir HENRY THORNTON: That is in course of preparation, Mr. Chaplin.

The CHAIRMAN: There is the question of expenditures for radio broadcasting for the year 1930, I think asked for by Dr. McGibbon which will take, I am told, a week at least. It is a very voluminous thing, full of detail, and, therefore, takes a long time to prepare. I have not in mind what the others are, but I know there are still a number, about half a dozen I am told and they will be handed into the Chairman as and when completed.

Hon. Mr. EULER: Mr. Chairman, I just want to make one comment as it touches upon what I have said repeatedly in this committee, and upon which possibly some misinterpretation or misconception may be had by inferences perhaps drawn from press reports. I am referring to the report that is to be handed in by the two gentlemen who were appointed a sub-committee in connection with the expense accounts. I take it from what you have said, and I would like to know, that these reports are going to be submitted to this committee in camera, of which I approve. Am I right in that?

The CHAIRMAN: Well, I can only give you my own idea. My idea is that the report of the sub-committee, together with the information which was handed in here yesterday—I need not particularize what it is, it is well known to the members of the committee—would be considered by this committee in camera.

Hon. Mr. EULER: That is what I wanted to know.

The CHAIRMAN: Then it will be entirely at the disposal of the committee as to what shall be done with it.

Mr. MCGIBBON: Mr. Chairman, I have repeatedly said here before that I did not consider that confidential.

The CHAIRMAN: I have not said it was confidential, but the consideration in the first instance, I think—and I am in the judgment of the committee—should be with the committee, and that the committee and the committee alone will say whether they will be given out to the public or not; but that does not bind Dr. McGibbon as far as I am concerned, and I am not undertaking to bind him. He is the arbiter of his own actions just the same as anybody else in this committee. The expense accounts are here for any member of the committee, and the matter is in the hands of the committee as a committee and as a body, and I am not undertaking or intimating what, in my opinion, the action should be. That is entirely for the committee.

Hon. Mr. EULER: I have nothing to say with regard to the action of Dr. McGibbon. He is responsible to himself as a member of the House and I have no criticism to make of that whatsoever, but I have always taken exception to the inadvisability of certain statements being broadcast which I always contended were not in the interest of the Canadian National Railways, in which opinion I was borne out by yourself, by the Chairman of the Executive Committee of the Canadian National Railways, of the Board of the Canadian National Railways, Mr. Boys, and I just want to manifest my satisfaction that the committee has practically come around to my point of view, although I am afraid that as the information went out some of us—I will say on this side—were perhaps placed under suspicion, if you like, by the public, that we were trying to hide some things, evidence of wrong-doing. I want to dissociate myself from that entirely, and to repudiate that in any way. We are not in any way desirous of hiding from the public any wrong-doing, if any wrong-doing there be, as I think there was not, not in the sense in which some people might say. Our whole object, and my whole object was to serve the interests of the National Railway, and I find yourself and the directors of the road in accord with the position I always took.

Hon. Mr. CHAPLIN: I am in support of the Chairman in the decision that he himself has come to, but I cannot quite understand Mr. Euler's statement. If he casts back his mind to last session, last year, I think he will find that he is not the only one that would want to discuss the matter in private. On more than one occasion in this committee, when I was chairman, I turned everybody out of the room. I took that responsibility myself without putting it before the committee. I believe it is in the interest of the railways, and the interest of the railway company that all of this small stuff should not be made public; that is my position about that.

Hon. Mr. EULER: That is the thing I always contended for, and if it had been understood in this committee that that was the position, that that was the opinion of the committee, we would not have had a great deal of this trouble.

The CHAIRMAN: Mr. Euler has made a statement as to his position, and I think we all agree with his statement referring to the attitude he has previously taken, but it had not been my intention to determine the question at this hearing to-day as to what disposition would be made of these reports that have now been made. I do say this, however, that I am taking the responsibility of suggest-

ing to the committee that we consider these things on Tuesday next at a private session of this committee and then dispose of them. That is my attitude; because, after all, the Chairman has not any right to arrogate to himself what action the committee may take in reference to any particular subject matter. I have my own opinion about it and I am prepared to give it to the Committee at the proper time.

Shall we adjourn until Tuesday at 11 o'clock?

Mr. MACMILLAN: In connection with Mr. Euler's statement that there was no good purpose to be served by making those things public, and that it was not in the interest of the railways, he said he took that position last year in reference to all those matters.

I am not referring to expense accounts at all, but when Dr. McGibbon asked certain questions in the House last year the ruling was, it was not in the best interest of the railway, and when a small sub-committee of this committee got certain information that was held under cover. Now, Mr. Euler takes the stand, or took the stand at that time, that it was not in the interests of the railway that these things should be made public. I want to ask him if these things that have been divulged here during the meetings of this committee were not in the interests of the railways or in the interests of the public. What about the New York proposition? What about Sir Henry Thornton's house and all the emoluments he has got from this country? What about the hidden resolution of the special committee wherein he got an extra \$5,000 which the Board of Directors never passed? Were not all those in the interest of the public? I say, Mr. Chairman, with all due respect to Mr. Euler, and he is a very smooth gentleman—

Hon. Mr. EULER: I can say the same of you.

Mr. MACMILLAN: With all due respect to Mr. Euler I think this thing has been in the interests of the railway and the public. Now, so far as those expense accounts are concerned I am more or less inclined to agree with you, Mr. Chairman, and with Mr. Chaplin. We don't want to get into this small stuff.

Hon. Mr. EULER: I disagree absolutely with Mr. MacMillan, that it has been in the interest of the railway to broadcast many of the things that we are investigating here, most of which has not been proven; and I will say this, without any doubt or reservation on my part, that the things that have been said in this Committee have gone a long way to destroy the confidence that the people of Canada have in the Canadian National Railways as a publicly managed and owned institution.

The CHAIRMAN: That is your own opinion.

Hon. Mr. EULER: I will even go this far: I believe that it has gone so far as to do harm to the railways by way of them losing business. If Mr. MacMillan is right, that it has been in the interest of the railway that the public generally should have it conveyed to it suspicions and charges such as we have heard in this Committee, if that were really in the best interests of the railway I would not object, because that is what I am concerned about, the interest of the railway, and I am sincere enough—and I hope the members of the Committee believe that—when I say that I believe this, that every good that has been accomplished by reason of looking into these things could have been accomplished in other ways and would not have resulted in any loss of confidence by the people in the railways and in their management.

The CHAIRMAN: I would like to make this observation in reply to Mr. Euler: He is expressing his opinion on the various phases of the inquiry that has been made in this Committee. He has a perfect right to do so, but I would like it understood that these expressions are his and his alone. After all, in the final analysis, the functions of this Committee, the work of this Committee, is subject

to the judgment of public opinion, and on that I am prepared to stand or fall, and I think everyone of the members of this Committee is. I would like it to be understood by the public—and I think I am speaking in this for the majority of the members of this Committee—that we are not mere rubber stamps.

Hon. Mr. EULER: Someone suggested that to you.

Hon. Mr. MANION: I did.

The CHAIRMAN: That is all right.

Mr. STEWART: I wonder who suggested the questions that were asked by two of the members this morning.

The CHAIRMAN: I think that the public will say that the Committee have performed a useful public duty, and I take my position as far as my responsibility is concerned on that principle, and by that principle I will abide.

Mr. McGIBBON: I suppose they look upon me as the trouble-maker. My stand is pretty well known. I have never been backward in expressing it; whether my views are right or wrong, they are my own, and I intend to carry them out irrespective of what some people may think or have to say.

Hon. Mr. MANION: I would just like to say that Mr. Euler has not got any monopoly on the desire for the Canadian National Railways to be a success.

Hon. Mr. EULER: Why say that?

Hon. Mr. MANION: I say that, Mr. Chairman, because half a dozen times Mr. Euler has made the statement in this room that he is just looking after the interests of the railways. So are we all. I would like to make that clear, that we all, including the Minister, have the interests of the railways at heart at this time, just as much as Mr. Euler has.

Hon. Mr. EULER: Mr. Chairman, I have only spoken for myself, and I thought I made that perfectly clear. I have always taken that position, and I resent the statement of Dr. Manion who ordinarily is a very good friend of mine.

Hon. Mr. MANION: Because I claim to be as good a friend of the Canadian National Railways as you are. You are not the only one who has the interests of the railway at heart.

Hon. Mr. EULER: I do not claim to have a monopoly on that.

The Committee adjourned to resume on Tuesday, the 17th May, 1932.

(See page 408)

APPENDIX A

COMPARISONS OF RATES

MARITIME PROVINCES—ONTARIO AND QUEBEC

COMPARISON OF CLASS RATES

TOWN TARIFF BASIS

Miles		Rates in classes per 100 lbs.—Classes								
		1	2	3	4	5	6	7	8	10
10	Maritime.....	20	17	15	12	10	9	7	8	6
	Ontario.....	24	21	18	15	12	11	9	10	7½
25	Maritime.....	24	21	18	15	12	11	9	10	8
	Ontario.....	29	25	22	18	14½	12½	11½	12½	9½
50	Maritime.....	32	28	24	20	16	15	12	13	11
	Ontario.....	40	34½	30½	25	19½	18	14½	16½	12½
75	Maritime.....	40	35	30	25	20	19	15	16	13
	Ontario.....	50	45½	37½	32	25	24	19½	22	16½
100	Maritime.....	44	38	33	28	22	21	17	18	14
	Ontario.....	54	47	41½	34½	27½	25	22	22	18
125	Maritime.....	50	44	38	31	25	23	19	20	16
	Ontario.....	61½	54	47	37½	30½	27½	24	25	19½
150	Maritime.....	52	46	39	33	26	24	20	20	17
	Ontario.....	65	58	49	41½	32	29	25	27½	22
175	Maritime.....	54	47	41	34	27	25	21	22	18
	Ontario.....	68	59½	52½	43	34½	30½	27½	27½	24
200	Maritime.....	54	47	41	34	27	25	21	22	18
	Ontario.....	68	59½	52½	43	34½	30½	27½	27½	24
225	Maritime.....	58	51	43	36	29	27	22	23	20
	Ontario.....	72	63	54	45½	36½	32	29	29	25
250	Maritime.....	60	53	45	38	30	28	23	24	21
	Ontario.....	75½	66½	58	47	37½	34½	30½	30½	27½
275	Maritime.....	64	56	48	40	32	30	24	26	22
	Ontario.....	79	70½	59½	50	40	36½	30½	32	27½
300	Maritime.....	66	58	50	41	33	31	25	26	23
	Ontario.....	83	72	63	52½	41½	37½	32	34½	29
350	Maritime.....	70	61	52	44	35	33	26	28	24
	Ontario.....	86½	75½	65	54	43	40	32	34½	29
400	Maritime.....	76	66	57	48	38	36	29	29	26
	Ontario.....	94	83	70½	59½	47	43	36½	36½	32
450	Maritime.....	80	70	60	50	40	38	30	32	28
	Ontario.....	100½	88	75½	63	50	47	36½	37½	34½
500	Maritime.....	84	74	63	53	42	40	31	32	30
	Ontario.....	104	91½	79	65	52½	49	37½	40	36½
600	Maritime.....	88	77	66	55	44	42	33	33	31
	Ontario.....	112	97	84½	70½	55½	52½	40	41½	37½

MONTREAL, QUE., May 12, 1932.

STANDARD MILEAGE SCALES

Miles	—	1	2	3	4	5	6	7	8	9	10
10	Maritimes (C-17).....	20	17	15	12	10	9	7	8	8	6
	Ontario and Quebec (C-18)...	24	21	18	15	12	11	9	10	10	7½
25	Maritimes.....	24	21	18	15	12	11	9	10	10	8
	Ontario and Quebec.....	29	25	22	18	14½	12½	11½	12½	12½	9½
50	Maritimes.....	34	30	26	21	17	16	13	14	13	11
	Ontario and Quebec.....	43	37½	32	27½	22	19½	16½	18	16½	12½
75	Maritimes.....	44	38	33	28	22	21	17	18	16	14
	Ontario and Quebec.....	54	47	41½	34½	27½	25	22	22	19½	18
100	Maritimes.....	52	46	39	33	26	24	20	22	20	17
	Ontario and Quebec.....	65	58	49	41½	32	29	24	25	24	19½
125	Maritimes.....	56	49	42	35	28	26	21	22	22	19
	Ontario and Quebec.....	68	59½	52½	43	34½	30½	27½	27½	27½	24
150	Maritimes.....	58	51	43	36	29	27	22	23	23	20
	Ontario and Quebec.....	72	63	54	45½	36½	32	29	29	29	25
175	Maritimes.....	64	56	48	40	32	30	24	26	26	22
	Ontario and Quebec.....	79	70½	59½	50	40	36½	30½	32	32	27½
200	Maritimes.....	66	58	50	41	33	31	25	27	27	23
	Ontario and Quebec.....	83	72	63	52½	41½	37½	32	34½	34½	29
225	Maritimes.....	72	63	54	45	36	34	27	29	30	25
	Ontario and Quebec.....	90	79	68	55½	45½	41½	34½	36½	37½	30½
250	Maritimes.....	76	66	57	48	38	36	29	29	32	26
	Ontario and Quebec.....	94	83	70½	59½	47	43	36½	36½	40	32
275	Maritimes.....	80	70	60	50	40	38	30	30	33	28
	Ontario and Quebec.....	100½	88	75½	63	50	47	36½	37½	41½	34½
300	Maritimes.....	84	74	63	53	42	40	31	32	34	30
	Ontario and Quebec.....	108	95½	81½	68	54	50	37½	40	43	36½
350	Maritimes.....	92	81	69	58	46	44	34	34	38	32
	Ontario and Quebec.....	119	104	90	74	59½	55½	41½	43	47	40
400	Maritimes.....	100	88	75	63	50	48	37	36	39	34
	Ontario and Quebec.....	125½	109½	95½	79	63	59½	43	45½	49	41½
450	Maritimes.....	108	95	81	68	54	51	40	39	42	37
	Ontario and Quebec.....	137	120½	102½	86½	68	65	47	49	52½	45½
500	Maritimes.....	116	101	87	72	58	55	43	42	43	39
	Ontario and Quebec.....	144	125½	108	90	72	68	50	52½	54	49
600	Maritimes.....	132	115	99	82	66	63	49	49	50	46
	Ontario and Quebec.....	162	142½	122	100½	81½	77½	59½	61½	63	58

(Rates are in cents per 100 lbs.)

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON AGRICULTURAL IMPLEMENTS AND PARTS, CARLOADS,
BETWEEN POINTS IN THE MARITIME PROVINCES Vs. POINTS IN ONTARIO
AND QUEBEC

Between points in the Maritime Provinces:
6th Class rates authorized.
Between points in Ontario and Quebec:
6th class rates authorized.
Normal Classification—5th class rates.

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON SULPHATE OF AMMONIA, CARLOADS
BETWEEN POINTS IN MARITIME PROVINCES VS. ONTARIO AND QUEBEC

From Sydney, N.S. to Maritime Province Points:
Seventh Class Rates Authorized.

From Hamilton, Ont., Montreal, Que. and Ottawa, Ont. to Ontario and Quebec Points:
Seventh Class Rates Authorized.
Normal Classification basis 5th class.

MONTREAL, QUE., May 12th, 1932.

COMPARISON OF RATES ON BITUMINOUS COAL BETWEEN POINTS IN THE
MARITIME PROVINCES VERSUS ONTARIO AND QUEBEC

(Rates in cents per ton of 2,000 lbs.)

FROM Sydney, N.S. TO	Distance	Rate	FROM Montreal, Que. TO	Distance	Rate
Boisdale, N.S.....	39	90	Farnham, Que.....	39	120
Iona, N.S.....	57	100	Acton Vale, Que.....	54	100
Tracadie, N.S.....	121	130	Plessisville, Que.....	122	160
Merigomish, N.S.....	169	140	Rideau, Ont.....	169	170
Truro, N.S.....	226	150	Sidney, Ont.....	227	200
Shubenacadie, N.S.....	247	170	Colborne, Ont.....	250	200
Halifax, N.S.....	290	180	Bowmanville, Ont.....	291	220
Moncton, N.B.....	342	200	North Bay, Ont.....	340	290
Rogersville, N.S.....	400	210	Kitchener, Ont.....	397	310
Matapedia, Que.....	542	230	Noranda, Que.....	556	340

MONTREAL, QUE., May 12th, 1932.

COMPARISON OF RATES ON FERTILIZER, CARLOADS, BETWEEN POINTS IN
QUEBEC AND ONTARIO vs. MARITIME PROVINCES

(Rates in cents per 100 lbs.)

Miles	Maritime Provinces	Ontario and Quebec	Miles	Maritime Provinces	Ontario and Quebec
25.....	5	6	200.....	12½	15½
50.....	6	7½	300.....	14½	18
75.....	8½	10½	400.....	18	22½
100.....	9½	12	500.....	21	26
150.....	11	13½	600.....	23	29

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON GRAIN PRODUCTS, CARLOADS—ONTARIO AND
QUEBEC vs. MARITIME PROVINCES

(Rates in cents per 100 lbs.)

Miles	Ontario and Quebec	Maritime Provinces	Miles	Ontario and Quebec	Maritime Provinces
25.....	8	6½	200.....	18	14½
50.....	8	8	300.....	22	17½
75.....	10	8	400.....	25	20
100.....	12	9½	500.....	29	23
150.....	15½	12½			

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON SAND AND GRAVEL (CARLOADS) BETWEEN
POINTS IN THE MARITIME PROVINCES vs. ONTARIO AND QUEBEC

(Rates in cents per 100 lbs.)

MARITIMES			ONTARIO AND QUEBEC		
From Debert, N.S. To	Miles	Rate	—	Miles	Rate
Brookfield, N.S.....	22	2	Durham, Ont., to Palmerston, Ont.....	27	4
Enfield, N.S.....	46	3	Maple, Ont., to Craigvale, Ont..	40	4½
Halifax, N.S.....	76	4	Guelph, Ont., to Dundas, Ont...	94	4½
Mulgrave, N.S.....	135	5	Niagara Falls, Ont., to St. Thomas, Ont.....	115	7
Liverpool, N.S.....	180	6	Durham, Ont., to Thornbury, Ont.....	178	6½
			Greenburn, Ont., to Brockville, Ont.....	190	7
			Crookston, Ont., to Montreal, Que.....	241	7¾

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON SAND AND GRAVEL, CARLOADS, BETWEEN STATIONS
IN ONTARIO AND QUEBEC vs. MARITIME PROVINCES

(Rates in cents per 100 lbs.)

Miles	Maritimes	Ontario and Quebec	Miles	Maritimes	Ontario and Quebec
25.....	4	4¾	200.....	8	10½
50.....	4½	5¾	300.....	10	12½
75.....	6	7¼	400.....	11½	14½
100.....	6½	8¼	500.....	13	16½
150.....	7½	9¼	600.....	14½	18½

MONTREAL, Que., May 12, 1932.

COMPARISON OF RATES ON HAY AND STRAW BETWEEN MARITIME PROVINCE
POINTS vs. ONTARIO AND QUEBEC

(Rates in cents per 100 lbs.)

Miles	Between Points in Maritime Provinces Mileage Rates	Between Points on Trans- continental Division West of Fitzpatrick Mileage Rates	Specific Rates from Hervey, Que.		
			To	Miles	Rate
25.....	7½	9½	Windigo.....	98	20½
50.....	10	12½	Casey.....	148	22
75.....	13	18	Greening.....	196	24
100.....	14½	19½	Forget.....	296	28
150.....	17½	22	Makamik.....	398	34½
200.....	19½	24	Cochrane.....	495	39½
300.....	23	29			
400.....	26				
500.....	29				

Between other points in Ontario and Quebec tenth class rates apply.

MONTREAL, QUE., May 12, 1932.—K.

COMPARISON OF RATES ON IRON AND STEEL, CARLOADS
MARITIME PROVINCES vs. ONTARIO AND QUEBEC
(Rates in cents per 100 lbs.)

MARITIME PROVINCES			ONTARIO AND QUEBEC		
Sydney to	Miles	Specific C.I. 36	Montreal to	Miles	Specific C.I. 41
Halifax, N.S.....	290	18	Newcastle, Ont.....	287	34
Moncton, N.B.....	542	20	Windsor, Ont.....	535	35
Saint John, N.B.....	432	24	St. Pauls, Ont.....	428	40
Fredericton, N.B.....	474	25	Thedford, Ont.....	472	41½
St. Moise, Que.....	612	28	Cochrane, Ont.....	612	71
Edmundston, N.B.....	574	25	Walkerville, Ont.....	554	41½

NOTE.—Rates apply on miscellaneous iron and steel articles, such as Angle Iron, Bars, Bolts, Plates, etc.

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON LIVESTOCK, CARLOADS
(Rates in cents per 100 lbs.)

Miles	Between MARITIME PROVINCE Points		Between Points in ONTARIO	
	Cattle, Hogs, or Sheep, straight or mixed carloads	Horses; Mules or Ponies, straight or mixed carloads	Cattle, Hogs, or Sheep, straight or mixed carloads	Horses, Mules or Ponies, straight or mixed carloads
25.....	8	10	10	12½
50.....	10½	13	13	16½
75.....	12½	15½	15½	19½
100.....	14	19	17½	24
150.....	16	23	20	29
200.....	17½	28	22	34½
300.....	22	34	27½	43
400.....	25	38	32	47½
500.....	29	41	36	52
600.....	30	48	37	59½

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON NEWSPRINT PAPER
MARITIMES vs. ONTARIO AND QUEBEC
(Rates in cents per 100 lbs.)

MARITIMES			ONTARIO AND QUEBEC		
	Miles	Comm. rate		Miles	Comm. rate
Bathurst, N.B., to Amherst, N.S.....	238	21	Grand'Mere, Que., to Brock- ville, ont.....	230	28
Bathurst, N.B., to Campbell- ton, N.B.....	63	14½	*Hawkesbury, Que., to Mont- real, Que.....	62	17½
Bathurst, N.B., to Middleton, N.S.....	441	30	Crabtree, Que., to Kitchener, Ont.....	437	37½
Bathurst, N.B., to Yarmouth, N.S.....	554	32	Crabtree, Que., to Chatham, Ont.....	550	43
Bathurst, N.B., to Newcastle, N.B.....	44	11½	Crabtree, Que., to Montreal, Que.....	45	13

*No Newsprint mill at Hawkesbury.

COMPARISON OF RATES—MARITIME PROVINCES vs. ONTARIO AND QUEBEC
PETROLEUM AND PETROLEUM PRODUCTS

(Rates in cents per 100 lbs.)

From Imperoyal, N.S.			From Sarnia, Ont.		
To	Miles	Rate	To	Miles	Rate
Musquodoboit, N.S.....	34	16	Thedford, Ont.....	33	18
Bridgewater, N.S.....	106	18½	Kitchener, Ont.....	106	25
Liverpool, N.S.....	148	19½	Brampton, Ont.....	147	29
Point du Chene, N.B.....	177	24½	Scarboro, Ont.....	179	32
Plaster Rock, N.B.....	308	36	Napanee, Ont.....	305	40

MONTREAL, QUE., May 12, 1932. K.

RATES ON POTATOES, CARLOADS

(Rates in cents per 100 lbs.)

—	Maritime Territory	Ontario and Quebec	—	Maritime Territory	Ontario and Quebec
25 Miles.....	7½	9½	200 Miles.....	18½	23
50 “.....	10	12½	300 “.....	25	31½
75 “.....	12½	15½	400 “.....	28	35½
100 “.....	13½	17	500 “.....	32	40½
150 “.....	17	21	600 “.....	39	49

MONTREAL, QUE., May 12, 1932.—K.

COMPARISON OF RATES IN MARITIME PROVINCES vs. ONTARIO AND QUEBEC
PULPWOOD, CARLOADS, FOR MANUFACTURING AND RESHIPMENT

(Rates in cents per 100 lbs.)

Miles	From Points in Maritime Provinces	From Points in Ontario and Quebec	Miles	From Points in Maritime Provinces	From Points in Ontario and Quebec
25.....	4½	5½	200.....	9	11½
50.....	5	6	300.....	11	14
75.....	6	7½	400.....	13	16
100.....	6½	8	500.....	14½	18
150.....	7½	9½	600.....	16	20

MONTREAL, QUE., May 12, 1932.

SALT, CARLOADS

(Rates in cents per 100 lbs.)

MARITIME TERRITORY				ONTARIO AND QUEBEC			
From	To	Miles	Rate Coarse Salt	From	To	Miles	Rate Refined Salt
Malagash, N.S.....	{Halifax, N.S.....	139	10	Goderich, Ont.....	{Welland Jct., Ont..	140	19½
	{Yarmouth, N.S....	380	14		{Killaloe, Ont.....	381	32
	{New Carlisle, Que.	404	23		{Caldwell, Ont.....	405	34½

MONTREAL, QUE., May 12, 1932. K.

COMPARISON OF RATES ON SULPHUR, CRUDE, CARLOADS

Minimum 60,000 lbs.

(Rates are in cents per 100 lbs.)

Between Points in MARITIME PROVINCES				Between Points in ONTARIO and QUEBEC			
From	To	Miles	Rate	From	To	Miles	Rate
Campbellton, N.B.	{ Chatham, N.B....	120	11	Quebec, Que.	Windsor Mills, Que.	115	14
Saint John, N.B.	{ Edmundston, N.B.	135	12		LaTuque, Que.....	129	14
Chatham, N.B.	{ Chatham, N.B....	174	19		Desbiens, Que.....	182	18
Chatham, N.B.	Edmundston, N.B.	219	16½		Jonquiere, Que.....	218	20½
Halifax, N.S.	{ Chatham, N.B....	273	20½		Cardinal, Ont.....	272	24½
Saint John, N.B.	{ Matapedia, Que....	389	23		Trenton, Ont.....	401	27½
	Sydney, N.S.....	432	27		Brighton, Ont.....	409	28

TARIFF AUTHORITIES

Maritimes: Items 1340 and 1356-A, C.N. Rys. C.M. 173; C.R.C. No. E-1235.

Ontario and Quebec: Items 2085 and 2086, C.N. Rys., C.M. 130, C.R.C. No. E-1721.

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON WOODPULP, CARLOADS, BETWEEN POINTS IN ONTARIO AND QUEBEC vs. MARITIME PROVINCES

(Rates in cents per 100 lbs.)

MARITIMES			ONTARIO AND QUEBEC		
—	Miles	Comm. Rate	—	Miles	Comm. Rate
Bathurst to Edmundston, N.B....	190	13	Campbellford to Cornwall, Ont..	184	15½
Campbelltpn to Edmundston, N.B.	135	11	Bromptonville to Joliette, Que...	138	17½
Old Lake Road, Que., to Bathurst, N.B.....	258	14½	Campbellford, Ont., to Montreal, Que.....	251	19½

MONTREAL, QUE., May 12, 1932.

COMPARISON OF MILEAGE COMMODITY RATES, MARITIME PROVINCES vs. QUEBEC AND ONTARIO

(Rates in cents per 100 lbs.)

Miles	Cooperage and Cheese-box Stock		Ice		Paper, Scrap or Waste	
	Maritime Provinces	Quebec and Ontario	Maritime Provinces	Quebec and Ontario	Maritime Provinces	Quebec and Ontario
25.....	7	9	3½	4½	6½	8
50.....	8½	10½	4	5	8	10
75.....	11	14	5½	7	10	12½
100.....	12½	15½	6½	8	11½	14½
150.....	13½	17	8	10	13	16½
200.....	14½	18	9½	12	14½	18
300.....	18½	23	12½	15½	18	22½
400.....	21	26½	.....	.....	22	27½
500.....	24½	30½	.....	.....	26	32
600.....	27	34	.....	.....	28	35

MONTREAL, QUE., May 12, 1932.

COMPARISON OF RATES ON LUMBER, CARLOADS, MARITIME PROVINCES
vs. ONTARIO AND QUEBEC

(Rates in cents per 100 lbs.)

MARITIME PROVINCES			ONTARIO AND QUEBEC		
—	Miles	Rate	—	Miles	Rate
Halifax to			Sarnia to		
Kinsac, N.S.....	21	7	Forest, Ont.....	25	9
McKay, N.S.....	50	7½	Ailsa Craig, Ont.....	50	10½
Belmont, N.S.....	72	9½	Granton, Ont.....	63	11
Westchester, N.S.....	98	11	Baden, Ont.....	98	13½
Aulac, N.B.....	150	11½	Kitchener, Ont.....	108	14
Berry Mills, N.B.....	198	13	Waterloo, Ont.....	110	14
Red Pine, N.B.....	300	15½	Brampton, Ont.....	149	14½
Mill Stream, N.B.....	399	16½	Owen Sound, Ont.....	190	16½
Rimouski, Que.....	500	18	Marysville, Ont.....	297	19½
Riviere Ouelle, Que.....	600	19	Cardinal, Ont.....	400	20½
			Dominion, Que.....	498	23
			Bromptonville, Que.....	595	24

While Halifax is not a lumber shipping point, the rates reflect general basis.

MONTREAL, QUE., May 12, 1932.

(See page 408)

APPENDIX B

CANADIAN NATIONAL RAILWAYS

STATEMENT BY PROVINCES IN ALPHABETICAL ORDER SHOWING NAMES
AND POST OFFICE ADDRESSES OF ALL FIRMS AND INDIVIDUALS WITH
WHOM CONTRACTS WERE PLACED FOR TIES FOR DELIVERY IN
YEAR 1930

PRINCE EDWARD ISLAND

Hancock, Chas., Melville.

McPherson, D. J., Eldon, Belfast.

NOVA SCOTIA

Allen & Miner, Ltd., Amherst.
Aulenbach, C. G., Blockhouse.
Bannerman & Robertson, New Glasgow.
Baxter, R. M., Oxford Junction.
Bent, C. M., Bridgewater.
Bragg & Sons, C., Collingwood Corner.
Canadian Lumber Company, Ltd., Stewiacke.
Chambers, F. H., New Glasgow.
Cox, J. J., Shelburne.
Dunfield Lumber Company, Ltd., Halifax.
Eastern Exporters Ltd., New Glasgow.
Eden Lumber Company, Garden of Eden.
Fullerton & Sons, Ltd., Pictou.
Fulmer, B. B., Shubenacadie.
Gillis, N. L., Gillis Cove.
Glennie, T. C., Oxford.
Goding & Starratt, Liverpool.
Grant, J. A., James River.
King Brothers, Oxford.
Kennedy, D. H., Estmere.
Kennedy, C., River Deny's.
Langille, D., Blockhouse.
Logan & MacLeod, Trenton.
Lunenburg Milling Company, Bridgewater.
Martin, R. N., Alba.

MacDonald, A. L., Meadowville.
MacGregor Lumber Company, Ltd., New Glasgow.
MacMillan, A. S., Halifax.
McCaskill, D. D., Little narrows.
McDonald, D. A., Orangedale.
McElmon, A. E., Oxford.
McElmon, M., Oxford.
McKay, R. A., Pictou County.
McKenzie, D., New Glasgow.
McKeen, D. K., Halifax.
McLellan, T. W., Oxford.
McLellan Brothers, Sutherlands River.
McLeod, H., West Bay Road.
Penny & Irving, Caledonia.
Read Limited, C. H., Amherst.
Reid & Sons, A. J., Shubenacadie.
Smith, A. B., Springhill.
Smith Limited, D. M., Truro.
Soy, I. J., Westchester Station.
Sproull, C., Pictou Landing.
Turner, J., West Northfield.
Wagner, C. O., Summerville Station.
Williams Brothers, Barney's River Station.

NEW BRUNSWICK

Anderson, W. S., Newcastle.
Bartlett Lumber Company, Fredericton.
Betts, H. S., Millerton.
Bonny River Lumber Company, Saint John.
Boyce, W. W., Fredericton.
Buchanan, R., Tabucintac.
Carman, H. A., South Devon.
Chamberlain, J. T., Gloucester Junction.
Colter, A. A., Fredericton.
Corey, J. A., Havelock.
Cormier, C. D., St. Paul.
Cormier, L., St. Paul.
Davis Company, Ltd., O. B., Grand Falls.
Douglas Limited, S., Fredericton.
Elliott, F. A., Cornhill.
Fleming & Gibson, Juniper.
Fraser Companies, Edmundston.
Gloucester Lumber & Trading Company, Bathurst.
Grant, J. F., Southampton.
Gray Rapids Lumber Company, Ltd., Blackville.
Harriman, A. P. M., Loggieville.

Hatfield-Kyle Ltd., Juniper.
Havelock Mercantile Company, Havelock.
Harrington, W. E., Salisbury.
Irving Limited, J. D., Buctouche.
Kent Lumber Company, Moncton.
King Lumber Company, Ltd., Chipman.
Kingston, J. F., Newcastle.
Landry, N. P., Mount Carmel.
Loggie Company, Ltd., A. & R., Loggieville.
Loggie Company, Ltd., W. S., Chatham.
MacDonald, J. W., Campbellton.
O'Brien, J. L., South Nelson.
Paynter, C., Anagance Ridge.
Pinet, W. A., Burnsville.
Reid Brothers, Gagetown.
Richards, G., Bronson.
River Valley Lumber Company, Oromocto.
Ryan, S. S., Moncton.
Sayre, F. E., Saint John.
Scott, W. J., Fredericton.
Snowball Company, J. B., Chatham.
Steeves, J. F., Moncton.
Sullivan, W., South Nelson.

QUEBEC

Abitibi Lumber Company, Ltd., LaSarre.	Julien, R., Grand Allee, Quebec City.
Bertram, J. C., Ottawa.	Lamb, C., Chandler.
Canadian International Paper Company, Montreal.	McLeod & Pelletier, G. & M., Rawdon.
Couturier, A., St. Louis de Ha Ha.	National Wood Company, Westmount.
Fleming Tie & Lumber Company, Ottawa.	Paradis & Sons, Ltd., Victoriaville.
Germain, J. A., Portneuf.	Price Brothers Company, Chicoutimi.
Hunting & Sons, W. H., Huntingville.	Quinn & Company, Reg'd., Windsor Mills.
	Strong Limited, G. M., Montreal.

ONTARIO

Acme Timber Company, Ltd., Sudbury.	Marshay Lumber Company, Toronto.
Brent Lumber Company, Montreal.	Martin, L. T., Ottawa.
Campbell Timber Company, Fort Frances.	Mathieu Limited, J. A. Fort Frances,
Canadian Tie & Lumber Company, Ltd., Toronto.	Merwin, B. F. Sudbury.
Carpenter, C. H., Montreal.	Missinaibi Timber Company, Peterbell.
Clarke, W. R., Toronto.	McCreary, Jr., J., Dunrankin.
Cochrane, W. C., Sudbury.	McKeown, J. J., Port Arthur.
Cox, Limited, C. W., Port Arthur.	New Ontario Contracting Company, Port Arthur.
Farlinger, G. E. Sioux Lookout.	Pine Lake Lumber Company, Watcomb.
Fassett Lumber Corporation, Montreal.	Poupore Lumber Company, Ltd., Ottawa.
Fee, J. Allenwater.	Rudolph, H. H. Weston.
Feldman Timber Company, Ltd., Schumacher.	Scott Lumber Company, Ltd., Port Arthur.
Harris Tie & Timber Company, Ltd., Ottawa.	Slater, W. J. Baldur, P. O. Man.
Hawk Lake Lumber Company, Ottawa.	Sleeman, W. T. Sleeman.
Hayward Lumber & Tie Company, Toronto.	Timber Products Limited, Trenton.
Keewatin Lumber Company, Minneapolis, Minn.	Thompson & Heyland Lumber Company, Toronto.
Laidlow Belton Lumber Company, Sarnia.	Wallace, E. E. Sioux Lookout.
Lanthier & Halls, Hearst.	

MANITOBA

Briggs, J. M., Cowan.	Nachet, S., Brightstone.
Dolynny, N., Bethel.	Petrue, W., Ladywood.
Galbraith & McDonald, Winnipeg.	Petrue, J., Ladywood.
Galloway, J., Vivian.	Potzaluko, M., Stead.
Goulet, L. R., Norgate.	Roberts Limited, P. T., Winnipeg.
Gray, F. D., Emerson.	Ross, E. W., Erickson.
Karpik, J., Brightstone.	Romanovsky, S., Woodridge.
Kutasiewish, J., Hctor.	Seaman, K. P. Whitemouth.
Laurie, J. E. Vivian.	Seaman, W. E., Whitemouth.
Lupkoskie, L., Hadashville.	Sperling, R. Warrod, Minn.
Lupkoskie, H., Hadashville.	Weselok, E., Ladywood.
Milkowski, A., Brightstone.	Weselok, J., Ladywood.
Monich, H., Brightstone.	Zarecki, B., Brightstone.
Mudroski, N., Stead.	

SASKATCHEWAN

Beeching, H. R., Steen Siding.	Hett & Sibbald Ltd., Prince Albert.
Belanger, F., Pre Ste. Marie.	Mahussier, H., Pre Ste. Marie.
Bone, A. W., Steen Siding.	Matusazak, J., Pre Ste. Marie.
Chipilski, J., Pre Ste. Marie.	Wholesale Fuel Company, Saskatoon.
Dixon, H., Bjorkdale.	

ALBERTA

Allen, J. W., Glendon.	Benson, B., Wildwood.
Anderson, J., Whitecourt.	Benson, L., Wildwood.
Anderson, E., Whitecourt.	Berg, C. A., Leedale.
Andrews, H. W., Edson.	Boisee, J. J., Maillaig.
Batye, F., Bickerdike.	Boudreau, L., Edmonton.
Baxter, H. F., Whitecourt.	Brazeau Lumber Company, Ltd., Strathcona.
Bell Tie Company, Edmonton.	Brettingen, O., Edmonton.

ALBERTA—*Concluded*

Brittain, C., Marlboro.	L'Drum, W., Blue Ridge.
Brown, M. P., Rocky Mountain House.	Lambert, C., Marlboro.
Budd, H., Wildwood.	Lambert, J. L., Marlboro.
Burnt Mountain Lumber Company, Edmonton.	Lampman, J. W., Edson.
Capostinsky, A., Granada.	Lawyer, F. M., Edson.
Campbell, T. W., Robb.	Leatham, J., Entrance.
Carlson, A., Junkins.	Lord, H. E., Wildwood.
Ceal, A. C., Hinton.	Lotnick, W., Marlboro.
Chalmers, J. W., Rocky Mountain House.	Mannix, A., Edson.
Chyz, W., Lessard.	Marrigan, P. J., Edson.
Cinnamon, H., Spring Park.	Miller, D. W., Marlboro.
Cinnamon, H., Lindberg.	Millis, W., Bickerdike.
Clarke, R. D., Edson.	Moon, R. D., Edmonton.
Connors, J. M. & G. S., Red Deer.	Morrison, G., Rocky Mountain House.
Corser, F., Mackay.	Motherwell, D. G., Junkins.
Corser, A., Mackay.	MacFarland, W. E., Bickerdike.
Cummings, T., Edson.	MacLeod, J., Athabasca.
Cundict, F. J., Hattonford.	MacLeod, J. A., Athabasca.
Cushnier, T., Marlboro.	McCormick, J. W. R., Evansburg.
Davis, H., Glenevis.	McCormick, R. W., Athabasca.
Derrick, I. S., Rosevear.	McKinnon, C., Marlboro.
Derick, C. N., Edson.	Nagy, P., Marlboro.
Dixon, W., Marlboro.	Navrot, S., Mallaig.
Dodington, E., Rochester.	Nelson, E., Peers.
Dresslaer, B. M. & Miller, F. C., Peers.	Nielson, C., Peers.
Edwards, C. T., Rocky Mountain House.	Olson, O., Robb.
Erith Lumber Company, Erith.	Osborne, L. L., Edson.
Franklin, C., Marlboro.	Pelletier, Lumber Company, Ltd., Calgary.
Franklin, J. C., Marlboro.	Perkins, K. B., Yates.
Gylander, A., Magnolia.	Peterson, J. P., Chip Lake.
Hallanger, O., Blue Ridge.	Phoenix Lumber Company, Winnipeg.
Hald, A. C., Chip Lake.	Plant, D., Marlboro.
Hammond & Company, Rocky Mountain House.	Plant, E., Obed.
Hanson, F. J., Edmonton.	Popejoy, A. L., Marlboro.
Hanson, H. F. C., Wildwood.	Redmond, J. W., Edson.
Harter, J., Marlboro.	Redmond, L., Blue Ridge.
Hedberg, J., Edson.	Roberts, H., Blue Ridge.
Heim, R., Styal.	Robinson, H., Carrot Creek.
Hellekson, H. J., Mahaska.	Robinson, H. C., Niton.
Henry, A., Tawatinaw.	Rocky Mountain Timber Company, Winnipeg.
Hill, L., Rife.	Rosichuk, H. L., Smokey Lake.
Hogan, O., Blue Ridge.	Rouch, J., Magnolia.
Holman, C. A., Edson.	Rudi, A., Blue Ridge.
Hotz, C., Peers.	St. Marie, J., Peers.
Houghland, E. M., Spring Park.	Sharman, C., Chip Lake.
Howey, C., Marlboro.	Shearer, J. B., Edmonton.
Hyslop, W., Columbia.	Smith, F., Whitecourt.
Jenkins, F. J., Seba Beach.	Smith, H., Edson.
Johnson, R. M., Mallaig.	Smith, G. W., Edmonton.
Jones, D. S., Athabaska.	Spoke, J. C., Perryvale.
Karlzen, J. C., Whitecourt.	Stenberg, A., Blue Ridge.
Kelly, H., Tomahawk.	Strom, E., Yates.
Kennedy, C. D., Marlboro.	Svedberg, P., Carrot Creek.
Kirkeskov, W., Chip Lake.	Swanson, S., Edmonton.
Kristiansen, O., Blue Ridge.	Swanson, C. E., Styal.
Kunee, A., Lessard.	Tokar, I., Edson.
	Tuttle, J. T., Evansburg.
	Warner, C. E., Marlboro.

BRITISH COLUMBIA

Adams, R. H., Fort Fraser.	Anderson, M., Danskin.
Adams, A. W., Fort Fraser.	Anderson, A. W., Decker Lake.
Alberta Pacific Lumber Co., Vancouver.	Anderson, G. K. & H. Holst, Prince George.
Alto, J., Nadina River.	Anderson, G., Decker Lake.
Allin, T., Colleymount.	Anderson, O., Isle Pierre.

BRITISH COLUMBIA—*Continued*

- Anderson & Company, S., Decker Lake.
 Annala, J., Nadina River.
 Artress, H. E., Lejac.
 Asserude, E., Shames.
 Bach, A., Rose Lake.
 Bach, E., Rose Lake.
 Bach, F., Rose Lake.
 Bain, P., Mission City.
 Baird, D., Sheraton.
 Ball, W. S., Forestdale.
 Ballestra, J., Lumby.
 Batard, de, P., Salmon Valley.
 Beach, F., Francois Lake.
 Beach, C., Francois Lake.
 Bedore, L., Rose Lake.
 Bell Lumber & Pole Co., Minneapolis, Minn.
 Bergwall, F. A., Duncan.
 Bertschi, A. C., Shelley.
 Bertschi, A. F., Shelley.
 Blonch, J., Burns Lake.
 Boquist, E., Nichol.
 Bostrom, A., Danskin.
 Bostrom, C. O., South Bank.
 Bostrom, C., Bickle.
 Bostrom, J. E., Grassy Plains.
 Boxall, W., Tchesinkut Lake.
 Boyd, J. A., Prince George.
 Boyd, J. R., Isle Pierre.
 Braaton, L., Hulatt.
 Bratsberg, P., Colleymount.
 Brawn & Dunn, Giscombe.
 Brotherton, J., Tchesinkut Lake.
 Broughton & McNeil, Telkwa.
 Bruhn, R. W., Sicamous.
 Brunell, P., Burns Lake.
 Bunting, Wm., Fort Fraser.
 Burgoyne, J., Albreda.
 Byers, J. M., Isle Pierre.
 Cameron Lumber Co., Victoria.
 Carlson, M. A., Fraser Lake.
 Carlson, V., Decker Lake.
 Carlson, J. P., Prince George.
 Carrigan, J. W., Terrace.
 Carroll & Sons, Decker Lake.
 Carroll, R. M., Decker Lake.
 Carroll, F. L., Decker Lake.
 Cassidy, D., Colleymount.
 Cassidy, P., Colleymount.
 Chapman, C. A., Smithers.
 Charratt, J. A., Fort Fraser.
 Chenette, A. P., South Bank.
 Christian, L. H., Savory.
 Christensen, H., Fraser Lake.
 Colbourne, J., Prince George.
 Collins & Macken, Chilliwack.
 Connor, F., Burns Lake.
 Coop, Wm., Prince George.
 Corbett, J., Francois Lake.
 Cornell, W., Prince George.
 Covington & Strimboldt, Topley.
 Croteau, W., Telkwa.
 Dandeneau, O., Hulatt.
 Desseauve, P., Prince George.
 Devauld, J., Finmore.
 Dockrill, F. M., Telkwa.
 Dool, J., Terrace.
 Dore, A. M., Nichol.
 Downey, C. I., Clearwater.
 Drew, A. D., Tchesinkut Lake.
 Dunn & Roumieu, Prince George.
 Echlund, H., Rose Lake.
 Echlund, N., Burns Lake.
 Edstrom, A., Vanderhoof.
 Elles, F., Isle Pierre.
 Engman, O., Smithers.
 Engstrom, E., Hulatt.
 Erickson, H., Hulatt.
 Erholtz, A., Nadina River.
 Estes, A., Isle Pierre.
 Evans, R., Shere P.O.
 Falkiner, J., Fort Fraser.
 Gager, F., Nadina.
 Farmer, P. G., Enderby.
 Farrell, A. C., Valemount.
 Fawcett, W. H., Fort Fraser.
 Featherly, W., Burns Lake.
 Fehr, O., Prince George.
 Fennell, G., Chu Chua.
 Ferguson, E., Palling.
 Fjestad, E., Topley.
 Flood, G. S., Hope.
 Foreman Lumber Co., Prince George.
 Francois Lake Timber Products Ltd., South Bank.
 Ford & Bernard, Victoria.
 Fort Garry Lumber Co., Prince George.
 Fransen, O., Forestdale.
 Fraser, R., Willow River.
 Fraser Lake Sawmills, Ltd., Fraser Lake.
 Fraser Valley Tie & Lumber Co., Vancouver.
 Gale, F., Nadina River.
 Gallon, A. M., Lavington.
 Gamper, A., Burns Lake.
 Garten, G. A., Vavenby.
 George, F., Vanderhoof.
 Giggey, C. L. M., Terrace.
 Gilgan, J. D., Tchesinkut.
 Goodchild, T., Matsqui.
 Goodland, H.C., Vanderhoof.
 Goold, J., Houston.
 Gordon, J. K., Terrace.
 Graham, H., Lytton.
 Grasser, C., Bickle.
 Griffin, H. J., Fort Fraser.
 Hagberg, H. A., Finmore.
 Haines, J. J., Black Pines.
 Hammerbury, H., Danskin.
 Hamre, P., Danskin.
 Hamre, O. H., Danskin.
 Hanson Lumber & Timber Co., Smithers.
 Harkins, F. E., Engen.
 Harper, C., Isle Pierre.
 Harper & Son, J., Cobble Hill.
 Hartman, M. G., Fraser Lake.
 Haver, N., Burns Lake.
 Hawthorne, W. W., Forestdale.
 Holmgren, C., Burns Lake.
 Hietala, M., Nadina River.
 Holmes, L. E., Topley.
 Holmes, R., Prince George.
 Hoover, L., Black Pines.
 Horning, J. F., Topley.
 Hougen, B., Bickle.
 Huelorth, H., Prince George.

BRITISH COLUMBIA—*Continued*

- Hultkranz, O., Forestdale.
 Humphreys, P. T., Nadina.
 Hutter, M., Palling.
 Irwin, B. W., Fort Fraser.
 Jamieson, L. C., McBride.
 Jannack, C. H., Topley.
 Jarman, H. B., Rose Lake.
 Jenkins, L. M., Blackpool.
 Johnson, A., Bickle.
 Johnson, G. J., Chilako.
 Johnson, H., Colleymount.
 Johnson, A., Rose Lake.
 Johnson, C., Isle Pierre.
 Johnson Brothers, Prince George.
 Jones, J. D., Terrace.
 Jones, L. W., Westwold.
 Kain, A., Palling.
 Kain, D. M., Palling.
 Keddy, B. B., Sheraton.
 Keddy, J. C., Forestdale.
 Keefe, J. H., South Bank.
 Kelly, H. F., Louis Creek.
 Kershaw, W. T., Bestwick.
 Kettyle, C. J., Endako.
 Kerr, J. E., Burns Lake.
 King, A., Prince George.
 Kissonock, A. E., Burns Lake.
 Kivi, A., Colleymount.
 Larson, J. P., Mount Olie.
 Laycock, M., Blackpool.
 LeBlanc, C. J., Lumby.
 LeDuke, C. J., Endako.
 Lillja, J. A., Decker Lake.
 Lindgren, K., Hulatt.
 Little, G., Terrace.
 Lockyear, F. & W. A., Prince George.
 Long, J. A., Palling.
 Loughheed, J. L., South Bank.
 Loveng, O., Grassy Plains.
 Loveng, G., Grassy Plains.
 Loveng, M., Grassy Plains.
 Loveseth, J. R., Danskin.
 Loveseth, W., Fraser Lake.
 Lund, E., Rose Lake.
 Lunde, A., Decker Lake.
 Lundstrom, O., Smithers.
 Makins, F. W., Fort Fraser.
 Martin, J. A., Finmore.
 Martin, J., Francois Lake.
 Matt, C. C., Nadina River.
 Maunu, E., Nadina River.
 Meier, E., Francois Lake.
 Mellander, H., South Bank.
 Menard, A., Fraser Lake.
 Merrill, E. W., Decker Lake.
 Meyers, A., Colleymount.
 Miller, O. H., Palling.
 Minger, R. G., Sheraton.
 Moe, A., Decker Lake.
 Moore, L. N., Tchesinkut Lake.
 Moore, M. A., Tchesinkut Lake.
 Moore, W. H., Bickle.
 Morgan, W., Barriere.
 Mortenson, V. C., Robbins Range.
 Moynihan, J., Nadina River.
 Mulvanny, L., Burns Lake.
 Munroe, A. R., Fort Fraser.
 Murray, D. G., South Bank.
 McKenzie, C. M., Vancouver.
 McArthur, D. C., Willow River.
 McCaffery Brothers, Prince George.
 McCleary, S. C., Rose Lake.
 McFarlane, W. M., Coughlan.
 McGettigan, P. J., Savory.
 McGregor, S. D., Danskin.
 McInnes, A., North Bulkley.
 McKenzie, G. C., Fort Fraser.
 McNeill, W., Colleymount.
 McPhail, H., Burns Lake.
 McPhee, K., Tchesinkut Lake.
 Nelson, J. H., Nadina River.
 Nelson, E., Nadina River.
 Nielson, S. C., Prince George.
 Nicholson, J. T., Francois Lake.
 Nissita, H., Nadina River.
 Noble, A., Fort Fraser.
 Nolan, E. A., Glenannon.
 Nordin, F., Decker Lake.
 Norberg, A., Houston.
 Nysven, K., Francois Lake.
 O'Brien, D., Louis Creek.
 O'Hara, R. C., Burns Lake.
 Ogston, G., Vanderhoof.
 Oknianski, A., Bickle.
 Olson, K., Tchesinkut Lake.
 Olson, P., Decker Lake.
 Oreskovix, J., Bickle.
 Osborne, E., Colleymount.
 Ostberg, C., Burns Lake.
 Ouder Kirk, W. S., Quick.
 Parkhurst, C. C., South Bank.
 Patrick, T., Lumby.
 Paulson, O., Rose Lake.
 Pearce, F. N., Vernon.
 Person, C., Decker Lake.
 Piche, H., Decker Lake.
 Ponsford, H. W., Fraser Lake.
 Preece, T. W., Smithers.
 Price, H., Chinook Cove.
 Prince Rupert Logging Co., Vancouver.
 Radley, T. J., Burns Lake.
 Roark, A. V., Finmore.
 Roberts, W., Fort Fraser.
 Robertson, A. D., Prince George.
 Rosso, T., Nadina River.
 Ryser, J., Fort George.
 Salle, E., Chinook Cove.
 Salle, E., Decker Lake.
 Saranovich, F., Sheraton.
 Sargent, A., Heffley Creek.
 Saunders, W. C., Palling.
 Schilling, F., Chinook Cove.
 Schilling & Sons, J., Chinook Cove.
 Schmidt, E. W., Barriere.
 Schmidt, E., Chinook Cove.
 Schreiber, C., Wistaria.
 Schwenk, C., Chinook Cove.
 Scott, C. E., Engen.
 Scragg, W., Grassy Plains (Declined).
 Seymour, F. J., Fort Fraser.
 Sharp, G., Smithers.
 Sheeler, E. W., Danskin.
 Sidney, G., Louis Creek (Declined).
 Sidney Lumber Co., Sidney.
 Sigalet, Jr., H., Lumby.
 Sibley, H., Bickle.

BRITISH COLUMBIA—*Concluded*

Sjoblad, J., Burns Lake.	Tretz, A., Falkland.
Sjodin, A., South Bank.	Tucker, J. E., Louis Creek.
Smedley, E., Vanderhoof.	Turner, W. B., Prince George.
Smith, B. A., Palling.	Turner, J. W., Smithers.
Smith, D. C., Mapes.	Tuson, S. C., Red Lake.
Stain, H., Nadina River.	Vanarsdol Lumber & Shingle Co., Copper City.
Snell, G., Vanderhoof.	Van Horn, W. B., Telkwa.
Stampflee, H. A. & A. E., Haddock, Mapes.	Van Lear, J., Nadina River.
Stanyer, J. R., Francois Lake.	Wade, N. K., Port Kells.
Stanyer, R. C., Francois Lake.	Walker, R. C., Tchesinkut Lake.
Starring, J. E., Rose Lake.	Waldof, T., Prince George.
Starratt, M. S. & H. A. Long, Palling.	Warn, C., Decker Lake.
Stearns, F. M., Burns Lake.	Warren, W. A., Falkland.
Steiner, J., Lejac.	Watt, Wm., Bickle.
Steiner, F., Fraser Lake.	Weatherspoon, A. J., Burns Lake.
Striegler, G., Vanderhoof.	Weeks, H. M., Grassy Plains.
Striegler, H., Mapes.	Weldon, W. H., South Bank.
Strom Brothers, Willow River.	West, L. H., Decker Lake.
Stubbs, M. H., Danskin.	Westcott, R. P., Vancouver.
Sturgeon, A. C., Forestdale.	Westland, C., Monte Lake.
Sundin, H., South Bank.	Westburg, G., South Bank.
Surkan, N., Armstrong.	White, F., Victoria.
Sutton, G. L., Nichol.	Wiggins, F., South Bank.
Svendsen, H. E., Ashcroft.	Williams, W. O., Fort Fraser.
Taerum, T., Fraser Lake.	Williams, P., Palling.
Tarry, P. F., Vernon.	Wilson, P., Quick.
Thomasson, J., Terrace.	Wren, T. G., Nichol.
Thompson, McDonald & McDonald, Vancouver.	Young, J. J., Louis Creek.
Tiljoe, A., Smithers.	Zielke, J. A., Sheraton.
Tolhurst, F. J., Nadina River.	Zogas, H., Hulatt.

MINNESOTA

Keewatin Lumber Company, Minneapolis. Sperling, R., Warroad.

GRAND TRUNK WESTERN

Ayer & Lord Tie Company, Inc., Chicago, Ill.	Moss Tie Company, T. J., St. Louis, Mo.
Baker Wood Preserving Company, Chicago, Ill.	Webster Lumber Company, Manistique, Mich.
Joyce Watkins Company, Chicago, Ill.	Weiler & Company, Detroit, Mich.

(See page 408)

APPENDIX C

CANADIAN NATIONAL RAILWAYS

STATEMENT BY PROVINCES IN ALPHABETICAL ORDER SHOWING NAMES AND POST OFFICE ADDRESSES OF ALL FIRMS AND INDIVIDUALS WITH WHOM CONTRACTS WERE PLACED FOR TIES FOR DELIVERY IN YEAR 1931.

NOVA SCOTIA

Allen & Miner, Limited, Amherst.
 Arklie Mullins Lumber Co., Halifax.
 Bannerman & Robertson, New Glasgow.
 Baxter, R. M., River Philip.
 Bent, Estate of, C. M., Bridgewater.
 Bragg & Sons, C., Collingwood Corner.
 Campbell, J. K., Springville.
 Canadian Lumber Company, Stewiacke.
 Chambers, F. H., New Glasgow.
 Cox, J. J., Shelburne.
 Dunfield Lumber Company, Halifax.
 Eastern Exporters, Limited, New Glasgow.
 Eden Lumber Company, Riverdale.
 Fullerton & Sons, Pictou.
 Glennie, T. C., Oxford.
 Goding & Starratt, Liverpool.
 Grant, J. A., James River.
 King Brothers, Oxford.
 MacKenzie, D., New Glasgow.
 MacMillan, A. S., Halifax.

Munro, D. W., Piedmont Valley.
 McElmon, M., Oxford.
 McElmon, A. E., Oxford.
 McGregor Lumber Company, New Glasgow.
 McIver, J. D., Barney's River.
 McLelan, T. W., Oxford.
 McLellan Brothers, Sutherlands River.
 McLeod, H., West Bay Road.
 Penny & Irving, Caledonia.
 Pullman, Wm., New Glasgow.
 Rafuse & Crouse, Bridgewater.
 Read, Limited, C. H., Amherst.
 Reid & Sons, A. J., Shubenacadia.
 Rhodenizer, T. U., Barss' Corners.
 Smith, Ltd., D. M., Truro.
 Smith, A. B., Springhill.
 Smith, A. D., Amherst.
 Thompson, B. C., Antigonish.
 Turner, J., West Northfield.
 Tyrer Lumber Company, Halifax.

NEW BRUNSWICK

Anderson & Company, W. S., Newcastle.
 Bartlett Lumber Company, Fredericton.
 Bonny River Lumber Company, Saint John.
 Boyce, W. W., Fredericton.
 Buchanan, R., Tabucintac.
 Burgess & Sons, J., Grand Falls.
 Carman, H. A., South Devon.
 Colter, A. A., Fredericton.
 Connell, M. W., Chatham.
 Corey, J. A., Havelock.
 Coughlan, J., Tracadie.
 Davis Co. Limited, Grand Falls.
 Douglass, S., Fredericton.
 Duffy & Sons, Ltd., W. H., Hillsboro.
 Fleming & Gibson, Ltd., Juniper.
 Fransblow, L. J., Tracadie.
 Fraser Companies, Edmundston.
 Gloucester Lumber Co., Bathurst.
 Grant, J. F., Southampton.
 Gray Rapids Trading Co. Ltd., Blackville.
 Hatfield-Kyle, Limited, Juniper Station.
 Havelock Mercantile Company, Havelock.
 Horsman, C., Tutes Mountain.
 Imperial Products Ltd., Woodstock.
 Irving, Limited, J. D., Buctouche.
 Johnstone, W., Halcomb.
 Kent Lumber Company, Moncton.

Kerr & Company, G. S., Campbellton.
 Kerr Lumber Co. Ltd., Chipman.
 Kingston, J. F., Newcastle.
 Landry, N. P., Mount Carmel.
 Lang, D., Baker Lake.
 Lockhart, B. W., Moncton.
 Loggie Co. Limited, A. & R., Loggieville.
 Loggie Co. Limited, W. S., Chatham.
 Maloney, J. W., Newcastle.
 Mark Brothers, Moncton.
 MacDonald, Limited, J. W., Campbellton.
 O'Brien, J. L., South Nelson.
 O'Leary & Sons, R. O., Richibucto.
 Pinet, W. A., Burnsville.
 Price, C., Canterbury.
 Price, J. R., Tabucintac.
 Reid Brothers, Gagetown.
 Russell Lumber Company, Lower Newcastle.
 Sayre, Limited, F. E., St. John.
 Schaffer, Limited, M., Blackville.
 Scott, W. J., Fredericton.
 Sisk, F. W., Tracadie.
 Snowball Co., J. B., Chatham.
 Sullivan, Wm. M., South Nelson.
 Swim, R., Doaktown.
 Wilson, W. F., Demoiselle Creek.

QUEBEC

Abitibi Lumber, Limited, LaSarre.	Huart, L. N., Levis.
Argenteuil Lumber Co., Morin Heights.	Hubert, E., Villeroy.
Baribeau, O., St. Genevieve de Batiscan.	Hunting & Sons, Wm., Huntingville.
Beauchemin & Fils, Amos.	Jobidon, F., Stoneham.
Beaupre, Durette & Co., Estcourt.	Julien, R., Quebec City.
Bourbeau, A., Montreal.	Lamb, C., Chandler.
Canadian International Paper Co., Montreal.	Lemire, E., Rouyn.
Canadian National Lumber Co., St. Tite, Co. Champlain.	Landry Pulpwood Company, Quebec City.
Carriere, L., Pine Hill.	Lessard, P. A., Ste. Ursule.
Castonguay, A., St. Felicien.	Martel, J. O., St. Calixte, de Montcalm.
Champoux, L. C., Makamik.	Massicotte, J. E., St. Genevieve de Batiscan.
Charest, E., St. Stanislas.	Mercier, A., Laurier.
Cinq-Mars, T. A., Rouyn de Temiscamingue.	Moisan, A., St. Raymond.
Collard, H., Chicoutimi.	Mooney, M. J., Quebec City.
Coulombe, L. P., St. Paul de Montmagny.	Moore, J. A., Gray Valley.
Couture, L., Quebec City.	Morel, H., Mattawa, Ont.
Dent, P., St. Sixte.	Morin, A. J., Belanger Siding.
Dubois, J. E., Chicoutimi.	MacLeod, G., Rawdon.
Drouin, P., Ste. Agathe, Co. Lotbiniere.	McGovern Brothers, LaSarre.
Duval, J., St. Calixte, de Kilkenny.	National Wood Company, Montreal.
Duval, J. O., St. Calixte, de Montcalm.	Paradis & Sons, Ltd., Victoriaville.
Elliott, S., St. Paulin.	Pellerin, G. E., Lac au Saumon.
England, Robt., Blue River.	Pelletier, M., Rawdon.
Fleming Tie & Lumber Co., C. E., Ottawa.	Pouhn, J. F., St. Edouard.
Foley, J. A., St. Thuribe.	Pratt, A., Matapedia.
Gagne, A., Laterierre.	Quinn & Co. Reg'd., B., Windsor Mills.
Gauthier, E., Chicoutimi.	Readman, J., St. Raymond.
Germain, J. A., St. Marc des Carrieres.	Rowan, A., Rawdon.
Gravel, G., Montreal.	Scott & Lusk, Limited, Tache County.
Hamel, J. A., Chicoutimi.	St. Marie & Company, U., Quebec City.
Henderson, N., Rouyn.	Stadacona Sales, Limited, Montreal.
Howard-Bienvenu Lumber Co., Charny.	Strong, Limited, G. M., Montreal.
Horan, J. E., Danville.	Tanguay, O., St. Justine.
	Tremblay, Reg'd, J. A., Bagotville.

ONTARIO

Acme Timber Co., Ltd., Sudbury.	Merwin, B. F., Sudbury.
Campbell Timber Co., Fort Frances.	Missinaibi Timber Co., Peterbell.
Canadian Tie & Lumber Co., Ltd., Toronto.	McCreary, Jr., Jas., Dunrankin.
Carew Lumber Company, J., Lindsay.	Mutchmor Timber Co., Winnipeg.
Clark, D. A., Port Arthur.	Nesti, F., Winnipeg, Man.
Cochrane, W. C., Sudbury.	New Ontario Contracting Co., Port Arthur.
Cox, C. W., Port Arthur.	Northern Tie Company, Fort Frances.
Domic Tie & Lumber Co., Hearst.	Pine Lake Lumber Co., Wako.
Enders, N., Kakabeka Falls.	Pigeon Timber Co., Port Arthur.
Falls, T., Port Arthur.	Poupore Lumber Co., Ltd., Gogama.
Farlinger, G. E., Sioux Lookout.	Rankin, J. J., Rasseau Road.
Fassett Lumber Corporation, Montreal.	Rudolph, H. H., Weston.
Fee, John, Allenwater.	Schreiber, C. C., Sudbury.
Fort William Products Co., Fort William.	Schieder, F. J., Atikokan.
Gull River Lumber Co., Lindsay.	Scott Lumber Co. Ltd., Port Arthur.
Harris Tie & Timber Co., Ottawa, Ont.	Scott Lumber Co. Ltd., Port Arthur.
Hill & Company, S. J., Port Arthur.	Shaw Timber Company, Fort Frances.
Holmes, B. V., Fort Frances.	Sleeman, W. T., Sleeman.
Johnston, G., Port Arthur.	Sovereign, G., Kakabeka Falls.
Keewatin Lumber Co., Kenora.	Thompson & Heyland Lumber Co., Toronto.
Leiterman & Sons, Kakabeka Falls.	Timber Products, Limited, Trenton.
Marshay Lumber Co. Ltd., Toronto.	Trenton Cooperage Mills, Trenton.
Martin, Colonel L. T., Ottawa.	Wallace, E. E., Norwood, Man.
Mathieu, Limited, J. A., Fort Frances.	Wardrobe, G., Port Arthur.

(Thirty-four Settlers' Contracts, as per list attached).

LIST OF SETTLERS' TIES PURCHASED IN ONTARIO IN 1931

Allen, J. H., Quibell.	Lalonde, W., Quibell.
Antilla, A., Quibell.	Laykki, K., Quibell.
Asikainen, O., Quibell.	Maki, A., Quibell.
Brooks, S. C., Quibell.	McEwen, W. J., Quibell.
Cooper, N., Quibell.	McKeown, J. J., Machies.
Crowley, F. V., Quibell.	McLean, C., Quibell.
Fradsham, A., Amesdale.	Peroinen, P., Quibell.
Hakala, H. E., Quibell.	Robinson, W. H., Quibell.
Hanacek, R., Quibell.	Remillard, A., Quibell.
Helleston, S., Quibell.	Shields, J., Quibell.
Holmes, D. J., Richan.	Soronon, H., Quibell.
Hunsko, A., Quibell.	Spelman, F., Quibell.
Jackson, J. A., Quibell.	Sul, S., Glenhope.
Jarvinen, F., Quibell.	Swanson, J., Mrs., Quibell.
Kujansen, W., Quibell.	Thompson, F., Quibell.
Kujansen, P., Quibell.	Thompson, H. M., Quibell.
Lake, J., Quibell.	Thompson, J. A., Quibell.

MANITOBA

Block, S., Sprague.	McGillivray, D. J., Winnipeg.
Galbraith & McDonald, Winnipeg.	Pasternak, W. J., Ethelbert.
Goulet, L. R., Rennie.	Roberts, Limited, P. T., Winnipeg.
Hawke, W., Hudson Bay Junction, Sask.	Romanovsky, S., Woodridge.

(Fifty-six Settlers' Contracts, as per list attached).

LIST OF SETTLERS' TIES PURCHASED IN MANITOBA IN 1931

Belenets, J., Lac du Bonnet.	Luposkie, L., Hadashville.
Bouthillier, Th., Hillside Beach.	Lupkoskie, N., Hadashville.
Boyke, J., Tibau, P.O.	Mandzink, G. T., Ethelbert.
Briggs, J. M., Cowan.	Melnyk, W., Ethelbert.
Brynchyshin, Wm., Lac du Bonnet.	Melnyk, M., Ethelbert.
Burtnyk, L., Cowan.	Milkosky, A., Lac du Bonnet.
Carr, R., Box 95, The Pas.	Mills, A., Beaconsia.
Charrette, J., Decimal P.O.	Monich, H., Brightstone.
Clyn, Wm., Bethel.	Ogrodnik, N., Beaconsia.
Devigne, M., Lewis.	Olson, C., Hodgson.
Deyholos, M., Ethelbert.	Olson, O., Hodgson.
Didur, S., Ethelbert.	Paley, N., Ethelbert.
Dolynny, N., Erickson.	Petras, A., Taras P.O.
Dzamon, J., Ethelbert.	Petras, J., Ladywood.
Dzwinyk, H., Ladywood.	Petras, Wm., Ladywood.
Dzencnyk, H., Ladywood.	Pohyonen, H., Janow.
Gnyp, P., Ladywood P.O.	Posaluko, M. A., Beaconsia.
Gralla, H., Taras P.O.	Prokopow, M., Tibau P.O.
Hancharick, E. M., Ladywood.	Prokopow, F., Tibau.
Hawkins, R. C., St. Martins.	Reader, H. W., The Pas.
Hemmingson, H. G., Scandinavia.	Scott, M., Scott Block.
Hladiuk, N., Tibau P.O.	Syrnyk, S. J., Ethelbert.
Holmes, W. J., Winnipeg.	Streit, R., The Pas.
Kalinovich, P. S., Box 95, Ethelbert.	Wavylund, P., Ethelbert.
Karpik, J., Lac du Bonnet.	Wikdahl, G., Erickson.
Kubin, W., Ethelbert.	Wolochatnik, T., Ethelbert.
Kutasiewich, J., Hadashville.	Yakimen, E., Janow.
LeClaire, J. R., The Pas.	Zaretsky, B., Taras.

STATEMENT BY PROVINCES IN ALPHABETICAL ORDER SHOWING NAMES AND
POST OFFICE ADDRESSES OF ALL FIRMS AND INDIVIDUALS WITH WHOM
CONTRACTS WERE PLACED FOR TIES FOR DELIVERY IN YEAR 1931.

MINNESOTA

National Pole & Treating Co., Minneapolis.

SASKATCHEWAN

Hett & Sibbald, Limited, Prince Albert.
Jackson, E., Hudson Bay Junction.
Marshall, J. H., St. Walburg.

Matussasak, J., McKague.
MacKeen, R. E., Turtleford.
Wholesale Fuel Company, Saskatoon.

(Thirteen Settlers' Contracts, as per list attached.)

LIST OF SETTLERS TIES PURCHASED IN SASKATCHEWAN IN 1931

Adams, F., Sylvania P.O.
Belanger, F., Pre St. Marie.
Dixon, H., Steen.
Edworthy, J., Bannock.
Fournier, A., Pre St. Marie.
Larock, F., Prince Albert.
Logan, J. B., Steen.

Ludvikson, J., Glaslyn.
Mahussier, H., Pre St. Marie
Turnbull, T., Nipawin.
Wardrop, R., Bodmin.
Wilson, R. P., Big River.
Wilson, A., Walburg.

STATEMENT BY PROVINCES IN ALPHABETICAL ORDER SHOWING NAMES AND
POST OFFICE ADDRESSES OF ALL FIRMS AND INDIVIDUALS WITH WHOM
CONTRACTS WERE PLACED FOR TIES FOR DELIVERY IN YEAR 1931.

ALBERTA

Bell Tie Company, Edmonton.
Boudreau, L., Edmonton.
Brazeau Lumber Co., Strathcona.
Brettingen, O., Edmonton.
Buchanan, J. A., Edmonton.
Connors, G. S., Red Deer.
Conroy, D. E., Edmonton.
Corser, A., MacKay.
Corser, F., MacKay.
Erith Lumber Company, Erith.
Franklin, C., Marlboro.
Jones, D. S., Athabasca.
Jones, D. B., Edmonton.

Kennedy, G. D., Marlboro.
MacLeod, J. A., Athabasca.
Phoenix Lumber Company, Winnipeg, Man.
Roberts, H., Blue Ridge.
Rocky Mountain Timber Co., Winnipeg, Man.
St. Marie, J., Peers.
Smith, G. W., Edmonton.
Swanson Lumber Co., Edmonton.
Walkeden, T. J. A., Edmonton.
Western Construction & Lumber Co., Ed-
monton.
Western Tie & Timber Co., Edmonton.

(Five hundred and twenty-five Contracts, as per list attached.)

LIST OF SETTLERS TIES PURCHASED IN ALBERTA IN 1931

Acorn, W. H., Peers.
Acorn, E. C., Peers.
Adams, C. E., St. Paul.
Akers, J. C., Wildwood.
Alderman, F., Marlboro.
Allen, P., Carrot Creek.
Allen, A., Lindburg.
Allen, J. W., Glendon.
Anderson, J. E., Styal.
Anderson, E. M., Edson.
Anderson, Ed., MacKay.
Anderson, A., Wildwood.

Anderson, F., Rowan P.O.
Anderson, A. J., Wildwood.
Anderson, E., White Coast.
Anderson, E. W., Edson.
Anderson, L. V., Bickerdike.
Andrews, R. P. C., Redwater.
Arbuckle, R. E., Carrot Creek.
Armstrong, N. A., Edson.
Armstrong, P., Edson.
Ashmead, G., Hattonford.
Ball, O., Edson.
Barass, C., Shining Bank.

- Barass, W., Shining Bank.
 Barass, A. M., Haddock.
 Barnes, J. J., Horburg.
 Bateman, Ed., Granada.
 Bates, M., Marlboro.
 Batey, J. N., Peers.
 Baxter, H. F., Whitecourt.
 Baxter, L. H., Whitecourt.
 Bean, W. J., Dovercourt.
 Bean, J. B., Dovercourt.
 Benesh, Wm., Wildwood.
 Benesh, Wm., Wildwood.
 Benson, J., Box 336, Rck. Mtn. House.
 Benson, B. Jr., Wildwood.
 Benson, Burt., Wildwood.
 Benson, L., Wildwood.
 Berger, A., Rck. Mtn. House.
 Bergeron, A., Edson.
 Bidmead, A. E., Edson.
 Blackmore, E., Styal.
 Bohus, J., Marlboro.
 Boisee, J., Therien.
 Bolin, G., MacKay.
 Boone, T., Wildwood.
 Bopp, H., Stony Plain.
 Bosomworth, A., Wildwood.
 Botting, G., Bingley.
 Bradbeck, A., Wildwood.
 Bradley, N., Niton.
 Bradon, J., Chip Lake.
 Bransford, J., Wildwood.
 Brittain, G., Marlboro.
 Bromm, R. S., Edson.
 Brooks, E. R., Rock. Mtn. House.
 Bucik, M., Wolf Creek.
 Bucik, A., Wolf Creek.
 Buck, N. J., Carrot Creek.
 Budd, W. F., Wildwood.
 Budd, W. F., Wildwood.
 Budd, W. H., Wildwood.
 Budd, H., Wildwood.
 Burdick, H. A., Peers.
 Bureau, E., Edson.
 Burnett, W. A., Wildwood.
 Burton, E., Carvell.
 Callahan, D. H., Bonnyville.
 Campbell, G. A., Chip Lake.
 Capostincky, F., Granada.
 Capostinsky, J., Granada.
 Capostincky, A., Granada.
 Carling, G., Niton.
 Carlson, A., Wildwood.
 Carlson, B., Peers.
 Carlson, O. A., Wildwood.
 Carlson, W., Blue Ridge.
 Carroll, G., Wildwood.
 Carson, D., Warspite.
 Ceal, A. G., Drinnan.
 Chalmers, A., McLeod Valley.
 Chalmers, F., McLeod Valley.
 Champagne, E., Carrot Creek.
 Chapman, C., Niton.
 Chapman, R., Junkins.
 Chart, E. E., Carrot Creek.
 Chestock, J., McLeod Valley.
 Chornomoretz, D., Granada.
 Christinsen, J., Box 257, Rocky Mtn. House.
 Chys, W., Lessard.
 Cinnamon, C. L., Lindbergh.
 Cinnamon, H. R., Lindbergh.
 Cinnamon, H., Spring Park.
 Cinnamon, H., Lindberg.
 Clark, J., McLeod Valley.
 Clark, W. J., McLeod Valley.
 Coghlan, A., Edson.
 Collings, T., Niton.
 Conner, P.O., Athabasca.
 Conover, H. J., Peers.
 Conover, H. K., Peers.
 Cook, W. R., Rocky Mtn. House.
 Cook, H. M., Rocky Mtn. House.
 Corbiere, L., Mallaig.
 Corbiere, A., Mallaig.
 Corbierre, J. B., Mallaig.
 Corkhill, J., Niton.
 Coster, R., Athabasca.
 Cote, P., Granada.
 Coulling, G., Wildwood.
 Cowan, L. D., McLeod Valley.
 Crisk, T. W., Peers.
 Crook, R. M., Marlboro.
 Crooker, O. B., Edson.
 Cross, F., Edson.
 Cuming, T., Edson.
 Cundict, F. J., Hattonford.
 Curry, J., Niton.
 Cushnier, T., Bickerdike.
 Dalglish, T. R., Box 321, Roc. Mtn. House.
 Danyluk, N., Carrot Creek.
 Davidson, S., Edson.
 Davies, G. L., Mahaska P.O. Peers.
 Dekene, M., Tomahawk.
 Demachesky, F., Franchere.
 Derick, C. W., Edson.
 Desjarlais, L., Marlboro.
 Desjarlais, P., Bickerdike.
 Desjarlais, R. M., Bickerdike.
 Desjarlais, D., Marlboro.
 Desjarlais, J. J., Bickerdike.
 Desjarlais, P., Marlboro.
 Desjarlais, A., Marlboro.
 Dickman, Wm., Peers.
 Dickson, A., Niton.
 Dix, W. A., Peers.
 Dobernigg, F., Carrot Creek.
 Dorrance, J., MacKay.
 Doughty, F. V., Marlboro.
 Dresslaer, B. M., Mahaska.
 Dresslaer, R. L., Mahaska.
 Durbin, G. V., Wildwood.
 Durbin, R., Wildwood.
 Edmonds, R., Dovercourt.
 Erickson, G., Wildwood.
 Erickson, A., Wildwood.
 Eror, J., Rocky Mt. House.
 Evans, C. W., Leaman.
 Eucher, W., Wildwood.
 Fansher, W. E., Marlboro.
 Fenton, N. C., Roc. Mtn. House.
 Fetzer, E., Styal.
 Flanders, H. C., Elk Point.
 Fogelquist, D., Rocky Mtn. House.
 Ford, H. E., Hattonford.
 Foster, L. F., Peers.
 Foulis, J., Carrot Creek.
 Franklin, J. C., Marlboro.

- Fraser, C., MacKay.
 French, B. B., Ferguson Flats.
 Fuller, J. M., Rocky Mtn. House.
 Gabler, G. L., Strachan, Alta.
 Gabler, M., Strachan.
 Gabriel, J., Granada.
 Gabriel, J., Granada.
 Gallagher, O., Niton.
 Garbe, W. J., Redwater.
 Gardin, P. O., Wildwood.
 Gardiner, E. G., Peers.
 Garrard, E., Wildwood.
 Gauvreau, C. H., St. Paul.
 Gerrard, S., Wildwood.
 Getson, G. R., Chip Lake.
 Gibbons, E., Edson.
 Gibbons, A., Edson.
 Gibennas, Wm., Wildwood.
 Gideon, C. E., Marlboro.
 Gordon, L. L., McLeod Valley.
 Graf, L., Marlboro.
 Graham, T. H., Niton.
 Graham, R. "Mrs.", Strachan.
 Graham, R. T., Strachan.
 Graham, J. E., Rosevear.
 Graham, C., Rosevear.
 Grande, J., Drayton Valley.
 Grant, W. "Mrs.", Athabasca.
 Gray, Ira D., Rocky Mtn. House.
 Groleau, T., Therien.
 Grosso, S., Horburg.
 Gruschen, D., Granada.
 Gylander, A., Magnolia.
 Gylander, F., Magnolia.
 Hackett, J. E., Edson.
 Hagen, O., Blue Ridge.
 Hald, A. C., Chip Lake.
 Hanger, O., Niton.
 Hankel, C. F., Bordenave.
 Hansel, A., Rocky Mtn. House.
 Hanson, F. J., Niton.
 Hanson, H. F. C., Wildwood.
 Hardy, J. L., Rocky Mtn. House.
 Hardy, C. P., Hattonford.
 Hart, R. G. W., Chip Lake.
 Hart, J., Drinnan.
 Haworth, F. E., Strachan.
 Haystrom, J. E., MacKay.
 Hedburg, J., Edson.
 Hedin, E. J., Whitecourt.
 Heim, R., Styal.
 Hellekson, P. A., Mahaska.
 Hellekson, D. A., Mahaska.
 Hellekson, H. J., Mahaska.
 Herzog, F., Styal.
 Hewitt, E. H., Carrot Creek.
 Hindmarsh, J. E., Edson.
 Hinton, C. R., Dovercourt.
 Hivzi, L., Marlboro.
 Haggart, J. M. Jr., Edson.
 Hoggart, C., Edson.
 Hoggart, James, Jr., Edson.
 Hoggart, D. J., Edson.
 Holman, C., Edson.
 Holthy, A., Wildwood.
 Hostvedt, J., Lindberg.
 Hotz, G., Peers.
 Hoppe, F. C., Bickerdike.
 Howey, J., Marlboro.
 Howey, C., Marlboro.
 Hubert, Hy., Therien.
 Hudson, C., Rocky Mtn. House.
 Hunter, J. E., Marlboro.
 Hurd, G., Spring Park.
 Hut, J., Chip Lake.
 Hutchinson, T. W., Chedderville.
 Iley, Wm., Bickerdike.
 Ingle, C., Hattonford.
 Ironside, L., Peers.
 Irwin, C. F., Carrot Creek.
 Irwin, J. J., Carrot Creek.
 Irwin, F. F., Carrot Creek.
 Jackson, L. A., Rocky Mtn. House.
 Jamieson, O. O., Athabasca.
 Jellis, W. H. S., Edson.
 Jenkins, J., Jeba Beach.
 Jenson, C. P., Moon Lake.
 Johnson, O., Yates.
 Johnson, C., Ravine.
 Johnson, A., Rocky Mtn. House.
 Johnson, J. R., Rocky Mtn. House.
 Johnston, J. A., Leslieville.
 Johnson, A., Wildwood.
 Johnson, O., Wildwood.
 Jones, D., Niton.
 Jones, Jas., Rocky Mtn. House.
 Jorgensen, C. P., Wildwood.
 Jukich, M., Rocky Mtn. House.
 Jurovich, N., Rocky Mtn. House.
 Kaeding, J., Wildwood.
 Kallbom, O., Whitecourt.
 Karlzen, J. G., Whitecourt.
 Kelly, H., Tomahawk.
 Kennedy, H., Marlboro.
 Kerr, D., Ravine.
 Kerr, A. H., Box 122, Edson.
 Keyes, D. C., Box 52, Edson.
 Keyes, D. W., Box 52, Edson.
 King, A. J., Rocky Mtn. House.
 King R., Niton.
 Kirkeskov, W. J., Chip Lake.
 Kistler, J., Rosebear.
 Klanke, H., Edson.
 Klein, A., Rocky Mtn. House.
 Kobberstad, N., Blue Ridge.
 Kelbach, K., Marlboro.
 Kordeluk, P., Wildwood.
 Kuetbach, C., McLeod Valley.
 Kuetbach, G., McLeod Valley.
 Kundak, T., Rocky Mtn. House.
 Kune, J., Chip Lake.
 Kuster, Hy., Wildwood.
 Kuszner, F., Chip Lake.
 Kuzyk, M., Wolf Creek.
 Lambert, J. Leo., Marlboro.
 Lambert, C., Marlboro.
 Lambie, T., McLeod Valley.
 Lampman, J. W., Edson.
 Lane, C. M., Marlboro.
 Laplante, P., Cold Lake.
 Lawson, C. B., Edson.
 Leary, W. H., Whitecourt.
 Lehman, J., Edmonton.
 Leslie, G., Chip Lake.
 Leslie, A., Chip Lake.
 Lien, O., Highway P.O.

Loch, M., Glendon.
 Lockrun, O. G., Niton.
 Long, H., Rocky Mtn. House.
 Lord, R. E., Wildwood.
 Loronson, Wm., Lindberg.
 Lotnick, Wm., Marlboro.
 Lotnick, J., Marlboro.
 Lotsberg, H., Glendon.
 Lovell, R. C., Marlboro.
 Lynn, R., Blue Ridge.
 Mading, E., Edson.
 Major, L., Strachan.
 Makaryszyn, F., Edson.
 Maitland, L. D., Niton.
 Manary, W. J., Carrot Creek.
 Mannix, A., Edson.
 Mansikka, S., Rocky Mtn. House.
 Marson, F., Rochester.
 Mason, C. H., Leslieville.
 Matiuzik, M., Wildwood.
 Mattinson, R. P., Rocky Mtn. House.
 Mattson, A., McKay P.O. Alta.
 Mattucks, J. O., Rocky Mtn. House.
 Meek, E., Entwistle.
 Meers, E., Niton.
 Meropoulis, E., Niton.
 Meropolis, L., Niton.
 Michaud, P., Mallaig.
 Miller, M., Niton.
 Miller, C., Niton.
 Miller, D., Marlboro.
 Miller, K., Styal.
 Milligan, R. H., Leaman.
 Millis, W. M., Bickerdike.
 Moberg, A., Rocky Mtn. House.
 Mortenson, O., Carrot Creek.
 Motherwell, D. G., McKay.
 Muller, O., Edson.
 Mansterman, F., Rochester.
 MacDonald, J., Rocky Mountain House.
 MacDonald, S., Niton.
 Macfarland, W. E., Bickerdike.
 MacKay, W. D., MacKay.
 McAmmond, T., Edson.
 McColeman, A. D., Wildwood.
 McColman, R., Wildwood.
 McCormick, R. W., Athabaska.
 McDermid, W. J., Peers.
 McDermid, D., Mackay.
 McDonald, J., Strachan.
 McDowall, J. H., Niton.
 McKinnon, C., Marlboro.
 McLean, J., MacKay.
 McLeod, B. W., Rocky Mountain House.
 Nagy, P., Madlboro.
 Nasby, M., Niton.
 Mavarla, C., Moon Lake.
 Navrot, L., Mallaig.
 Navrot, S., Mallaig.
 Nelson, O. M., Edson.
 Nelson, E., Drinnan.
 Nelson, G., Mackay.
 Nelson, M., Wildwood.
 Nelson, J., Wildwood.
 Nemlander, R., MacKay.
 Nero, A., Wildwood.
 Nickerson, H., Entrance.
 Nielson, N. C., Peers.
 Nikolajuk, M., Wildwood.
 Niles, G. A., Leaman.
 Novotny, E., Carrot Creek.
 Novotny, F., Carrot Creek.
 Oberg, C., Wildwood.
 Odinsky, N., Rosevear.
 Ilsen, K., Granada.
 Olsen, O., Blue Ridge.
 Olsen, J., Blue Ridge.
 Olson, K. G., Wildwood.
 Osborn, L. L., Edson.
 Oslund, A., Edson.
 Paliwood, J., Granada.
 Paschak, D., Wolf Creek.
 Paschak, S., Wolf Creek.
 Paschak, N., Wolf Creek.
 Pasmore, A., Lindberg.
 Paterson, W. A., Marlboro.
 Paterson, D., Marlboro.
 Pattison, J., Wildwood.
 Paulson, C. G., Strachan.
 Pease, J., Edson.
 Pedersen, A. J., Wildwood.
 Perkins, A. A., Rocky Mountain House.
 Perkins, K. B., Edson.
 Peterson, J. P., Chip Lake.
 Peterson, A., Wildwood.
 Peterson, C., Carrot Creek.
 Pfammuller, M., Rochfort.
 Pfenffer, H., Edson.
 Phillips, J. W., Wildwood.
 Phillips, F., Styal.
 Pion, F., Rocky Mountain House.
 Pitcher, Wm., McLeod Valley.
 Popejoy, A. E., Marlboro.
 Popejoy, A. L., Marlboro.
 Price, G. A., Leslieville.
 Profitt, D. M., Styal.
 Puff, W., Edson.
 Redmond, L., Blue Ridge.
 Redmond, J. W., Edson.
 Reid, L. G., Athabasca.
 Renwick, G. A., Carrot Creek.
 Renwick, P. W., Carrot Creek.
 Renwick, R. P., Carrot Creek.
 Richert, O., Wolf Creek.
 Riewe, R., Edson.
 Rober, N. J., Wildwood.
 Robinson, J. B., Chedderville.
 Robinson, H. C., Niton.
 Robinson, H., Carrot Creek.
 Rodtka, F., Rocky Mtn. House.
 Rosichuk, H. L., Smoky Lake.
 Ross, H., MacKay.
 Rowatt, J. T., Carrot Creek.
 Rucker, C., Carrot Creek.
 Rucker, W. H., Carrot Creek.
 Rudi, A., Blue Ridge.
 Rudyk, S., Tawatinaw.
 Rundell, E. O., Strachan.
 Runzer, F., Entwistle.
 Saffberg, A., Rocky Mtn. House.
 Sali, E., Athabasca.
 Sali, A. Y., Athabasca.
 Sanders, J. H., Edson.
 Sawchuk, K. G., Granada.

Sawyer, C., Caroline.
 Schroeder, H., MacKay.
 Scott, J. F., Blue Ridge.
 Seames, G. H., Niton.
 Selstedt, H., Leaman.
 Semashkowick, J., Edson.
 Semonovich, G., Rosevear.
 Serko, P., Chip Lake.
 Shafer, C. V., Chip Lake.
 Shantz, B. A., Rocky Mtn. House.
 Sharman, C., Chip Lake.
 Sheppard, W. J., Niton.
 Sheppard, L. A., Edson.
 Shields, H., Niton.
 Shields, R., Niton.
 Shilka, J. D., Edson.
 Sidon, F., Wildwood.
 Sidon, J. A., Wildwood.
 Simon, P., Marlboro.
 Sinclair, Wm., Rocky Mtn. House.
 Smith, C., Edson.
 Snyder, C. F., Rocky Mtn. House.
 Solen, B., Drayton Valley.
 Solheim, O., Blue Ridge.
 Sonne, H. A., Hattonford.
 Spears, J. A., Leslieville.
 Spence, D. S., Chedderville.
 Stanock, J., Rosevear.
 Stanton, W. A., Wildwood.
 Stelfox, H., Rocky Mtn. House.
 Stephenson, O., Tawatinaw.
 Stephenson, H., Tawatinaw.
 Stephenson, L. B., Tawatinaw.
 Stoffle, J., Marlboro.
 Stokke, P., Blue Ridge.
 Strom, E., Yates.
 Struble, L., Rocky Mtn. House.
 Sukomski, A., Granada.
 Sullivan, T. R., Tomahawk.
 Svedberg, P., Carrot Creek.
 Svedberg, G., Carrot Creek.
 Swanson, A., Leaman.
 Swanson, C. E., Styal.
 St. Marie, T., Peers.
 Taft, T., Niton.
 Tate, D., Styal.
 Tate, H., Wildwood.
 Tate, W., Styal.
 Taylor, H., Blue Ridge.
 Teare, Wm., Niton.
 Tekset, O., Whitecourt.
 Thiem, P. C., Wolf Creek.
 Thomas, W., Perryvale.
 Thompson, J. C., Rocky Mtn. House.
 Thurber, R. E., Edson.
 Tindall, B., Wildwood.
 Tindall, J. S., Wildwood.
 Tindall, R., Wildwood.
 Tipman, M., Marlboro.
 Tipman, C., Marlboro.
 Tomlinson, C. W., McLeod Valley.
 Torsti, L., Rocky Mtn. House.
 Trapp, C. M., Edson.
 Trousil, H. R., Ardmore.
 Tucker, W. H., Niton.
 Tuttle, T. J., Evansburg.
 Ustinowich, Y., Granada.
 Valentine, Wm., Wildwood.
 Vanee, H. A., Rosevear.
 Vance, J. E., Rocky Mtn. House.
 Vandenberg, A., Niton.
 Vikstrom, C., Wildwood.
 Waite, W. H., Yates.
 Waite, A., Yates.
 Warner, C., Marlboro.
 Warner, C. B., Marlboro.
 Warren, W. L., Blue Ridge.
 Watson, E. J., Blue Ridge.
 Wheels, H. E., Wildwood.
 White, C. E. B., Peers.
 White, S., Edson.
 White, J., Niton.
 White, H. T., MacKay.
 Wilson, J. J., Drinnan.
 Wilson, C., Rocky Mtn. House.
 Winter, R. H., Bickerdike.
 Winters, C. F., Bickerdike.
 Winward, J. F. A., Wolf Creek.
 Wiseman, B., Hattonford P.O.
 Wood, D., Marlboro.
 Wortendyke, J. O., Wildwood.
 Ziegler, A., Styal.
 Zukowski, S., Granada.
 Zukowski, W., Granada.
 Zukowski, A. "Mrs.", Granada.

STATEMENT BY PROVINCES IN ALPHABETICAL ORDER SHOWING NAMES
AND POST OFFICE ADDRESSES OF ALL FIRMS AND INDIVIDUALS WITH
WHOM CONTRACTS WERE PLACED FOR TIES FOR DELIVERY IN
YEAR 1931.

BRITISH COLUMBIA

Alberta Pacific Lumber Co., Vancouver.	Industrial Timber Mills, Youbou.
Anderson & Company, S., Decker Lake.	Kamloops Forest Products Ltd., Vancouver.
Bain, P., Mission City.	Kosikar, J. M., Hope.
Bloom & Sigale, Limited, Lumby.	Little, George, Terrace.
Bostrom, J. E., Grassy Plains.	M.B.Y. Lumber Co., Gleneagles.
Brawn, H. H., Giscombe.	McCaffery Brothers, Prince George.
Bruhn, R. W., Sicamous.	McGettigan, P. J., Savory.
Brunell, P., Burns Lake.	McInnes, A., North Bulkley.
Bunting, Wm., Fort Fraser.	McKay & Flannagan Brothers, Cloverdale.
Burgoyne, J., Albreda.	McKenzie, C. M., Vanderhoof.
Cameron Construction Co. Ltd., Vancouver.	Ogston, G., Vanderhoof.
Carroll & Sons, Decker Lake.	Ominica Timber Products Ltd., Vancouver.
Chapman, C. A., Smithers.	Pondosa Pine Lumber Co., Monte Lake.
Collins-Macken Mills, Ltd., Chilliwack.	Preece, T. W., Smithers.
Coop, Wm., Prince George.	Rogers, D., Milner.
Covington & Strimboldt, Topley.	Ross & Son, M., Aldergrove.
Davidson, J. L., Vancouver.	Schilling & Sons, Chinook Cove.
DeCew Lumber Co., Vancouver.	Schreiber, C., Bickle.
Dunn, J. I., Giscombe.	Sigale & Company, H., Lumby.
Devauld, J., Prince George.	Smedley, E., Vanderhoof.
Farmer, P. G., Enderby.	Smith, B. A., Palling.
Fennell, G., Chu Chua.	Smith, R. M., Duncan.
Foreman Lumber Co., Prince George.	Strom Brothers, Willow River.
Fort Garry Lumber Co., Prince George.	Strang, A., Lytton.
Francois Lake Timber Products Co., Encombe.	Vanarsdol Lumber & Shingle Co., Copper River.
Fraser Lake Sawmills, Ltd., Fraser Lake.	Wade, N. K., Port Kells.
Fraser Valley Tie & Timber Co., Vancouver.	Waldof, T., Prince George.
Giggey, C. L. M., Terrace.	Wren, T. G., Hulatt.
Gordon, J. K., Terrace.	Young & Irvine, Fort Langley.
Hanson Lumber & Timber Co., Smithers.	Zogas, H., Hulatt.
Hultkranz, O., Forestdale.	

Eight hundred and fifteen Settlers' Contracts, as per list attached.

LIST OF SETTLERS' TIES PURCHASED IN BRITISH COLUMBIA IN 1931

Adams, W. R., Terrace.	Asserude, E., Terrace.
Adams, J. D., Valemont.	Atrill, Wm., Moricetown.
Adams, R. H., Fort Fraser.	Atrill, J. S., Moricetown.
Agar, J. B., Terrace.	Autila, A., Nadina River.
Ailport, L. I., Topley.	Axelson, A., Topley.
Ailport, E., Rose Lake.	Bach, A. J., Rose Lake.
Ailport, H. C., Topley.	Bach, E., Rose Lake.
Alex, P., Nadina River.	Bach, F., Rose Lake.
Alto, J., Nadina River.	Bach, Wm., Rose Lake.
Amot, G., Decker Lake.	Bach, A., Rose Lake.
Andelin, V., Colleymount.	Bailey, M., Valimount.
Anderson, M., Savory.	Ball, Wm. S., Forestdale.
Anderson, H. G., Isle Pierre.	Ballantyne, R. M., Kamloops.
Anderson, C., Decker Lake.	Ballestra, J., Lumly.
Anderson, A. W., Decker Lake.	Baptiste, E. S., Isle Pierre.
Anderson, O., Isle Pierre.	Baron, J., Smithers.
Anderson, O., Palling.	Barr, H. M., McLure.
Anderson, A., Avelea.	Barsness, M., Hulatt.
Anderson, C., Palling.	Bateman, J. E., Giscombe.
Anderson, G., Palling.	Bateson, J. W., Smithers.
Anderson, M., Danskin.	Bauer, C. K., Grassy Plains.
Annala, J., Nadina River.	Beach, E. A., Francois Lake.
Antila, J., Nadina River.	Beach, C., Francois Lake.
Artress, H. E., Lejac.	Beach, F., Francois Lake.
Asenbauer, V., Prince George.	Beals, F. A., Lumby.

- Beauchamp, C., Fraser Lake.
 Beckwith, R. C., Bickle.
 Bedore, A., Terrace.
 Bedore, L., Decker Lake.
 Bellach, H. R., Endako.
 Belsham, G. S., Fort Fraser.
 Bendelin, E., Barriere.
 Berg, J., Burns Lake.
 Bergsten, J. L., Perow.
 Berquist, A., Prince George.
 Bertschi, A. F., Shelley.
 Bertschi, A. C., Shelley.
 Best, J., Chip Lake.
 Bibbey, E. C., Fraser Lake.
 Bickle, Wm., Bickle.
 Billie, J., Stellaco.
 Bird, J. R., Forestdale.
 Bird, D., Rocky Mountain House.
 Bjorkman, L., Topley.
 Blackburn, R., Prince George.
 Blackwell, E., Nadina.
 Blanch, J., Burns Lake.
 Boden, C., Prince George.
 Bogardus, E., Valemount.
 Bolton, J. H., Fort Fraser.
 Bondarenko, E., Prince George.
 Boner, C., Endako.
 Boothroyd, G. E., Nichol.
 Boquist, E., Isle Pierre.
 Borgun, L., Hulatt.
 Borris, M. R., Shames.
 Bostrom, A., Danskin.
 Bostrom, C., Bickle.
 Bowman, G., Duck Meadows.
 Bown, W. J., Finmore.
 Boxally, Wm., Tchesinkut Lake.
 Boyd, J. R., Isle Pierre.
 Braatin, G., South Bank.
 Brastin, L., Hulatt.
 Bratsberg, B., Bickle.
 Bratsberg, P., Bickle.
 Brewer, M. J., Nadina River.
 Brindamour, E., Fraser Lake.
 Bristol, G., Telkwa.
 Brittle, F. W., Prince George.
 Brittle, C. H., Prince George.
 Broadbent, T., Lejac.
 Brolin, R., Decker Lake.
 Brotherton, J., Tchesinkut Lake.
 Brott, H., Danskin.
 Brown, A. E., Decker Lake.
 Bruce, A. A., Smithers.
 Buchi, G., Prince George.
 Buchi, W. A., Prince George.
 Burke, Wm., Francois Lake.
 Burr, R. S., Fort Fraser.
 Byers, C., Isle Pierre.
 Byman, T., Perow.
 Byman, H., Rose Lake.
 Byers, J. M., Isle Pierre.
 Byman, J., Topley.
 Cairnduff, H., Fort Fraser.
 Calder, B. E., Heffley Creek.
 Cameron, J., Terrace.
 Campbell, G. H., Isle Pierre.
 Campbell, S. J., Isle Pierre.
 Campbell, A., Burns Lake.
 Carlson, B., Barriere.
 Carlson, M. A., Fraser Lake.
 Carlson, C., Valemount.
 Carlson, V., Decker Lake.
 Carlson, J. P., Prince George.
 Carman, H. A., Hulatt.
 Carnall, H., Prince George.
 Carr, R., Remo.
 Carrigan, Wm., Terrace.
 Carroll, R. M., Decker Lake.
 Carroll, F. L., Decker Lake.
 Castell, F., Evelyn.
 Cederholm, A., Avola.
 Charkey, H., Barriere.
 Charvat, J. A., Fort Fraser.
 Chennette, A. P., South Bank.
 Chretien, J., Terrace.
 Christian, C. E., Endako.
 Christian, T. A., Fraser Lake.
 Christenson, H., Fraser Lake.
 Christian, L. H., Savory.
 Clark, W. N., Forestdale.
 Clark, F., Bickle.
 Clarke, F., Fort Fraser.
 Clifford, F. E., Isle Pierre.
 Colbourne, J., Prince George.
 Cole, J. E., Mapes.
 Cole, J., Vanderhoof.
 Cole, J. E., Mapes.
 Collie, J., Fraser Lake.
 Colton, J. U., Hulatt.
 Connor, F., Burns Lake.
 Coombes, J. M., Bickle.
 Coombes, E. G., Lumby.
 Coombes, F. M., Bickle.
 Coop, S., Fort Fraser.
 Cooper, J., Vanderhoof.
 Corlett, R., Terrace.
 Corliss, C. M., Francois Lake.
 Corliss, E., Francois Lake.
 Cornell, Wm., Prince George.
 Cornwell, C., Topley.
 Grammer, H., Rose Lake.
 Crawford, J. H., Willow River.
 Cron, C. H., Shelley.
 Croteau, Wm., Telkwa.
 Crowe, T. G., Fort Fraser.
 Crowe, H. G., Fort Fraser.
 Cummings, C., Red Rock.
 Czyzowsky, J., Prince George.
 Daggett, W., Encombe.
 Dahlberg, A. O., Danskin.
 Dahlgren, L. E., Fraser Lake.
 Dahlgren, L. O., Fraser Lake.
 Dally, J. E., Vanderhoof.
 Dalstrom, C. L., Hulatt.
 Damms, A., Prince George.
 Damms, A. J., Jr., Prince George.
 Dandeneau, O., Hulatt.
 Davis, H., Houston.
 DeBell, J., Bickle.
 DeCoteau, A., Salmon Valley.
 Demoury, Ed., Decker Lake.
 Desseauve, P., Prince George.
 Digner, P. C., Isle Pierre.
 Dixon, E. W., Endako.
 Dobbie, S. W., Copper River.
 Dobson, J. E., McMurphy.
 Dodds, J. B., Tete Jaune.
 Doknich, N., Prince George.
 Doll, R., Kitwanga.

Drew, A. D., Tchesinkut Lake.
 Duffus, A., Telkwa.
 Duncan, W., Telkwa.
 Duncan, M. L., Burns Lake.
 Dupuis, P., South Bank.
 Dye, A., Mapes.
 Eadie, G. E., Terrace.
 Ecklund, H., Rose Lake.
 Ecklund, N., Burns Lake.
 Eden, N., Fort Fraser.
 Edgar, A., Tete Jaune.
 Edskund, A., Isle Pierre.
 Eichler, K., Prince George.
 Eichler, R., Prince George.
 Elliott, J. W., Telkwa.
 Engman, O., Evelyn.
 Engstrom, E., Hulatt.
 Erholtz, A., Nadina River.
 Erickson, H., Mapes.
 Erickson, J., Houston.
 Erickson, H., Decker Lake.
 Erickson, L., Fort Fraser.
 Espelin, S., Decker Lake.
 Espley, F., Rose Lake.
 Espley, P. W., Rose Lake.
 Estes, H. B., Isle Pierre.
 Estes, A., Isle Pierre.
 Estes, K. C., Isle Pierre.
 Fager, F., Nadina River.
 Fagerberg, E., Fort Fraser.
 Fah, W., Smithers.
 Falkiner, J., Fort Fraser.
 Fawcett, W. H., Fort Fraser.
 Featherley, Wm., Tchesinkut Lake.
 Fehr, O., Prince George.
 Ferguson, E., Palling.
 Ferguson, W. D., Prince George.
 Finlaison, R. K., Finmore.
 Fitzgerald, F., Nichol.
 Fjestad, E., Topley.
 Flegg, O. H., Fort Fraser.
 Fleissner, J., Barriere.
 Fleming, J. W., Grassy Plains.
 Foots, H. B., Fraser Lake.
 Forsell, F., Roblin Range.
 Foss, F. W., Smithers.
 Frame, T. H., Isle Pierre.
 Fransen, O., Forestdale.
 Fraser, D., Louis Creek.
 Fretz, A., Falkland.
 Furness, J., Smithers.
 Furrow, H. T., Prince George.
 Gair, W., Forestdale.
 Gair, W. T., Forestdale.
 Gallagher, M., Nadina River.
 Gamman, A., Decker Lake.
 Gamper, A., Tchesinkut.
 Garten, C. A., Vavenby.
 Gebhardt, M., Bickle.
 Genier, A., Mount Olie.
 Geernaert, T., Vanderhoof.
 George, M., Fort Fraser.
 George F., Vanderhoof.
 George J., Vanderhoof.
 George S., Vanderhoof.
 Gilbert, D., Hulatt.
 Gilgan, J. D., Tchesinkut.
 Gillis, N., Armstrong.
 Goodchild, C., Matsqui.

Goodland, S., Vanderhoof.
 Goodland, H. C., Vanderhoof.
 Goold, J., Houston.
 Gowans & Sons, Burns Lake.
 Graham, T. J. W., Monte Lake.
 Granberg, H., Hulatt.
 Greene, D. T., Quick.
 Gregerson, G., Evelyn.
 Griffin, H. J., Fort Fraser.
 Grimshire, Wm. G., Fort Fraser.
 Groth, G., Prince George.
 Grove, N. C. B., Mapes.
 Grundy, E. W., Endako.
 Gunning, G. G., Fraser Lake.
 Guntsching, H., Barriere.
 Guzauskas, V., Vanderhoof.
 Haddock, A. E., Mapes.
 Haftner, P., Smithers.
 Hagen, O. S., Chinook Cove.
 Hagberg, H. A., Finmore.
 Hagerud, F. R., Sperling.
 Haggard, F., Barriere.
 Hahre, M. J., Smithers.
 Haka, A., Coghlan.
 Hammerberg, H., Danskin.
 Hana, N. O., Monte Creek.
 Hanson, F., Nadina River.
 Hanson, Wm., Nadina River.
 Hanson, G. M., Houston.
 Hanson, H., Forestdale.
 Harkness, W. G., Isle Pierre.
 Harper, C., Isle Pierre.
 Hartman, M. G., Fraser Lake.
 Hartson, C. J., Isle Pierre.
 Harvey, C. G., Smithers.
 Hauer, N., Burns Lake.
 Hawker, T. H., Fort Fraser.
 Hawkins, A. E., Topley.
 Hawthorn, W. W., Forestdale.
 Haynes, F. W., Vanderhoof.
 Heal, E., Telkwa.
 Heal, H. W., Telkwa.
 Heineman, P., Isle Pierre.
 Helling, T., Bickle.
 Helseth, E., Savory.
 Hendricks, K. C., Engen.
 Hendricks, H. H., Engen.
 Hendricks, W. E., Engen.
 Henkel, J. W., Francois Lake.
 Hertel, P., Burns Lake.
 Hickey, E., Francois Lake.
 Hickey, J., Francois Lake.
 Hicks, L. D., Shere.
 Hicks, G. E., Valemount.
 Hietala, O., Colleymount.
 Hietala, M., Colleymount.
 Hill, C., South Bank.
 Hines, J., Doughty.
 Hoff, C. B., Prince George.
 Hollands, J., Nadina River.
 Holmes, W. E., Topley.
 Holmes, I. E., Topley.
 Holmes, W. E., Topley.
 Holmes, L. E., Topley.
 Holmes, R., Prince George.
 Holmgren, C., Palling.
 Holst, H., Prince George.
 Holverson, O., Dunster.

- Hooker, Wm., South Bank.
 Hopyrerdietzel, M., Burns Lake.
 Hornby, B., Prince George.
 Horning, R. C., Topley.
 Horning, J., Topley.
 Horning, E. R., Topley.
 Horning, A. R., Topley.
 Hossach, H., Rose Lake.
 Houlden, H., Terrace.
 Hrechka, Wm., Prince George.
 Humphrey, P. T., Nadina River.
 Husu, A., Nadina River.
 Hvelorth, H., Prince George.
 Hutter, M., Palling.
 Innes, W., Colleymount.
 Irons, D., Bickle.
 Irving, D., Vanderhoof.
 Irwin, B. W., Fort Fraser.
 Isaac, P., Forestdale.
 Jackson, W. M., Fraser Lake.
 Jacobson, A., Shames.
 Jakel, J., Mount Olie.
 Jamieson, L. C., McBride.
 Jannack, R. J., Topley.
 Jannack, J., Forestdale.
 Jannack, C. H., Topley.
 Janning, H., Chinook Cove.
 Jarman, H. B., Topley.
 Jeck, A., McBride.
 Jennings, D. B., Giscoombe.
 Johansson, A., Topley.
 Johnson, Ed., Evelyn.
 Johnson, A., South Bank.
 Johnson, H., Decker Lake.
 Johnson, J., Evelyn.
 Johnson, A., Burns Lake.
 Johnson, A., Evelyn.
 Johnson, Wm., Burns Lake.
 Johnson, F., Fraser Lake.
 Johnson, P. A., Chinook Cove.
 Johnson, N. B., Vanderhoof.
 Johnson, P., Barriere.
 Johnson, O. M., Vanderhoof.
 Johnson, K. E., Barriere.
 Johnson, B. H., Vavenby.
 Johnson, E., Rose Lake.
 Johnson, C. J., Chilco.
 Johnson, E., Bickle.
 Johnson, H., Colleymount.
 Jones, L. W., Westwold.
 Jones, L. D., Terrace.
 Jopp, E., Remo.
 Julseth, T., Priestly.
 Julseth, T., Sheraton.
 Kain, A., Palling.
 Kain, D. M., Palling.
 Kaiser, E., Engen.
 Keldested, N. M., Isle Pierre.
 Kaler, E. P., Tchesinkut Lake.
 Kallhood, O., Forestdale.
 Kanga, V., Colleymount.
 Keddy, J. C., Forestdale.
 Keddy, B. B., Sheraton.
 Keefe, J. H., South Bank.
 Kelly, T., Tchesinkut Lake.
 Kelly, N., Tchesinkut Lake.
 Kelly, H. F., Louis Creek.
 Kemp, J., Fort Fraser.
 Kemple, G., Nadina River.
 Kent, F. C., Bradle Ranch.
 Kerr, J. E., Burns Lake.
 Kerr, A. N., Quick.
 Kerr, Wm. B., Nadina River.
 Kershaw, W. T., Bestwick.
 Kattleson, G. O., McMurphy.
 Kettyl, C. J., Endako.
 Keus, F. H., Rose Lake.
 Kirkstone, A., Hulatt.
 Kiven, F., Grassy Plains.
 Kivi, A., Colleymount.
 Knol, H., Burns Lake.
 Kristensen, H., Isle Pierre.
 Kulsveen, P., Prince George.
 Kylling, L., Topley.
 LaBriche, L., Smithers.
 Ladouceur, F., Savory.
 Lahte, S., Houston.
 Lampman, C. W., Armstrong.
 Long, I. C., Monte Lake.
 Langis, C., Valemount.
 Larson, H., Palling.
 Larson, L., Decker Lake.
 Larson, J. P., Mount Olie.
 Lawrence, R., Avela.
 LeBlanc, C. J., Lumby.
 LeDuke, C. J., Endako.
 Lechner, F., Chinook.
 Leslie, W. J., Fraser Lake.
 Levi, S., Valemount.
 Lewis, F., Decker Lake.
 Lewis, P. R., Palling.
 Lillja, J. A., Decker Lake.
 Lindgren, K., Vanderhoof.
 Lindstrom, C., Remo.
 Lindstrom, G., Houston.
 Lips, J., Terrace.
 Lister, M. L., Burns Lake.
 Llewellyn, J. W., Terrace.
 Lober, C., Colleymount.
 Lockyer, F. J., Prince George.
 Lockyer, W. A., Prince George.
 Long, H. A., Palling.
 Long, J. A., Palling.
 Lonquist, H., North Bulkley.
 Loper, H. D., Finmore.
 Loss, H. F., Topley.
 Loughheed, A. E., Burns Lake.
 Loughheed, L., Danskin.
 Loughheed, J. J., South Bank.
 Louie, G., Nadina River.
 Loveless, G. E., Smithers.
 Loveseth, E., Danskin.
 Ludfald, E., Prince George.
 Lund, O., North Bulkley.
 Lund, Ed., Rose Lake.
 Lundstrom, O., Smithers.
 Lura, R., Grassy Plains.
 Makins, F. W., Lejac.
 Martin, E., Moricetown.
 Martin, J., Lumby.
 Mathew, S., Nadina River.
 Mattson, M., Colleymount.
 Mattson, E. M., Nadina River.
 Maune, E., Nadina River.
 Mawhinney, D. C., Cooper River.
 Mellander, H., South Bank.
 Menard, A., Fraser Lake.

- Merrill, E. Wm., Decker Lake.
 Meyers, J., Endako.
 Meyers, A., Colleymount.
 Michael, A., Burns Lake.
 Michaud, J. A., Terrace.
 Michaud, A., Terrace.
 Michell, A., Moricetown.
 Michell, B., Moricetown.
 Michell, T., Moricetown.
 Michell, J., Moricetown.
 Micks, G., Fort Fraser.
 Miller, G. M., Rose Lake.
 Miller, O. H., Palling.
 Mills, G. E., Sheraton.
 Minger, R. G., Sheraton.
 Mitchell, J. C., Prince George.
 Mitchell, P., Moricetown.
 Mitchell, A., Nadina River.
 Mitchell, Mrs. M. H., Forestdale.
 Moe, A., Decker Lake.
 Moe, T., Decker Lake.
 Mohr, E. J., Wistaria.
 Monroe, W. B., Prince George.
 Moore, J., Salmon Arm.
 Moore, L. B., Burns Lake.
 Moore, L. U., Burns Lake.
 Moore, M. A., Tchesinkut Lake.
 Morrison, J., Nadina.
 Mortensen, C., Robbins Range.
 Morton, H., Sardis.
 Mostue, M., Decker Lake.
 Mould, A., Rose Lake.
 Mould, R. H., Rose Lake.
 Mould, J., Rose Lake.
 Moynihan, J., Nadina River.
 Mulder, C., Giscombe.
 Muldoon, P., Nadina River.
 Munroe, A. R., Fort Fraser.
 Murphy, P. J., Terrace.
 Murray, L. G., Doughty.
 Murray, A. L., Doughty.
 Myhre, T., Endako.
 MacDonald, R. R., Houston.
 MacKay, A. M., Forestdale.
 MacKenzie, W. E., Clearwater.
 MacLean, J. A., Francois Lake.
 McArthur, D. C., Willow River.
 McCabe, P. C., Isle Pierre.
 McCabe, G., Isle Pierre.
 McCabe, E., Isle Pierre.
 McCleary, S. C., Rose Lake.
 McClelland, H. E., Chilco.
 McDonald, D., Burns Lake.
 McFarlane, S. E., Coglan.
 McGillivray, D., Hulatt.
 McGregor, S. D., Danskin.
 McGuire, C., Evelyn.
 McInnes, N., Bulkley.
 McIntosh, W. J., Prince George.
 McKeown, W. C., Chilco.
 McKilligan, R. H., Houston.
 McKilligan, C. G., Houston.
 McKirdy, T. A., Valemount.
 McLeod, A. G., Smithers.
 McMaster, W. A., Evelyn.
 McMillan, N., Telkwa.
 McMillan, D. D., Telkwa.
 McPhail, H., Burns Lake.
 McPhail, A., Burns Lake.
 McPhee, P., Burns Lake.
 Nazel, G., Moricetown.
 Neale, J. C., Quirk.
 Negaard, O., Engen.
 Nelson, J., Prince George.
 Nelson, J., Terrace.
 Nelson, J., Decker Lake.
 Nelson, J. R., Wistaria.
 Nelson, E., Nadina.
 Nelson, B., Smithers.
 Nelson, C. A., Chinook Cove.
 Nelson, A., Barriere.
 Nelson, J. H., Nadina River.
 Nelson, L., Forestdale.
 Nettla, H., Nadina River.
 Neurauter, F. A., Sheraton.
 Newcombe, C. K., Prince George.
 Newcombe, G., Prince George.
 Newgard, L. M., Nadina River.
 Newman, Ed., Burns Lake.
 Neilson, J. C., Prince George.
 Neilson, S. C., Prince George.
 Niven, J. E., Dunster.
 Noble, E. H., Fort Fraser.
 Noble, A. L., Fort Fraser.
 Nolan, E. A., Fraser Lake.
 Norberg, A., Houston.
 Nordin, F., Decker Lake.
 Normanton, C., Prince George.
 Nourse, M. F., Burns Lake.
 Oberhaltzer, J. D., Telkwa.
 O'Brien, R., Louis Creek.
 O'Brien, Ed., Bickle.
 Oknianski, A., Bickle.
 Oknianski, M., Bickle.
 Olsen, A., Mount Olie.
 Olson, K., Tchesinkut Lake.
 O'Meara, H. F., Vanderhoof.
 O'Neill, J. S., Armstrong.
 Ord, P. A., Falkland.
 Orr, A., Palling.
 Orr, J., Palling.
 Osberne, E., Colleymount.
 Ostberg, C., Burns Lake.
 Pappas, T., Hulatt.
 Park, F., Vanderhoof.
 Parker, H. G., Colleymount.
 Parkhurst, C. C., South Bank.
 Parkhurst, W. W., Jr., South Bank.
 Parrott, H., Francois Lake.
 Patrick, T. S., Lumby.
 Paulson, G., Rose Lake.
 Paulson, O., Decker Lake.
 Payne, W. C., Barriere.
 Payne, E. F., Rose Lake.
 Peacock, A., Fort Fraser.
 Pearson, P., Burns Lake.
 Pearson, C., Terrace.
 Pearson, B. L., Vanderhoof.
 Pebernat, F. E., Mapes.
 Pebernat, T. J., Mapes.
 Pelletier, T., Prince George.
 Pelon, J., Mount Leyman.
 Perle, E., Colleymount.
 Pete, A., Forestdale.
 Peterson, C. W., Dome Creek.
 Peterson, O., McMurphy.
 Peterson, A., Evelyn.
 Phillips, A., Clearwater.

- Piche, H., Decker Lake.
 Ponsford, H. W., Fraser Lake.
 Poole, A. H., Mapes.
 Poole, A. E., Mapes.
 Poole, H. E., Mapes.
 Poole, E. G., Mapes.
 Poole, C., Mapes.
 Pratt, F., Fort Fraser.
 Preston, L. J., Vanderhoof.
 Price, H., Chinook Cove.
 Price, J., Fraser Lake.
 Priest, L. J., Nadina.
 Prosser, R. D., Francois Lake.
 Prudhom, T., Monte Lake.
 Quigley, W. D., Rutland.
 Radley, T., Colleymount.
 Rainer, K., Barriere.
 Rainer, H., Barriere.
 Rainsfelt, A., North Bulkley.
 Rainsfelt, H., North Bulkley.
 Rainsfelt, W., North Bulkley.
 Rasmussen, A. R., Prince George.
 Ray, L., Endako.
 Rodman, F. E., Isle Pierre.
 Reed, R., Smithers.
 Reynold, G., Chilco.
 Reynolds, G. A., Houston.
 Rhindress, J., Mapes.
 Rhindress, W. H., Mapes.
 Rice, R. H., Fort Fraser.
 Roark, A. V., Finmore.
 Robert, B., Colleymount.
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 Roberts, J., Francois Lake.
 Roberts, M., Colleymount.
 Roberts, L., Colleymount.
 Roberts, W., Lejac.
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 Robertson, C. G., Fort Fraser.
 Roemer, H. F., Nadina.
 Roos, A., Nadina River.
 Ross, C., Rose Lake.
 Ross, J. S., Savory.
 Rothery, J. V., Mount Olie.
 Rouse, E., Red Rock.
 Rowland, T., Rose Lake.
 Ryser, J., Fort George.
 Sabbie, H., Prince George.
 Sackner, J. W., Hulatt.
 Salice, P., Houston.
 Sall, O., Fort Fraser.
 Salle, E., Chinook Cove.
 Sammons, F., Endako.
 Sannes, G., Hulatt.
 Saranovich, F., Sheraton.
 Sarri, F., Colleymount.
 Saul, R., Decker Lake.
 Saul, L. G., Decker Lake.
 Saunders, W. C., Palling.
 Schmidt, E. W. Jr., Barriere.
 Schilling, F., Chinook Cove.
 Schilling, W., Chinook Cove.
 Schmidt, E. Jr., Chinook Cove.
 Schneider, J., Endako.
 Scott, C. E., Engen.
 Scott, W., Isle Pierre.
 Scott, G., Isle Pierre.
 Scott, E. J., Isle Pierre.
 Severson, E., Forestdale.
 Seymour, E., Nadina River.
 Seymour, R. A., Fort Fraser.
 Seymour, H. C., Fort Fraser.
 Seymour, F. J., Fort Fraser.
 Sharp, G., Smithers.
 Sheeler, E. W., South Bank.
 Sherlaw, A., Ryder Lake.
 Short, F. S., Colleymount.
 Shortbreed, J. W., Vanderhoof.
 Sibley, H., Bickle.
 Sich, C. D., Smithers.
 Silk, A. H., Box 33, Burns Lake.
 Silverthorn, H., Houston.
 Silverthorne, H. H., Houston.
 Simonson, Ed., Hulatt.
 Sinclair, H. D., Kitwanga.
 Sios, M. L., Fort Fraser.
 Sjoblad, J., Burns Lake.
 Siodin, A., South Bank.
 Skipnes, M., Rose Lake.
 Skuba, P., Smithers.
 Skjerven, O., Fort Fraser.
 Smith, W. J., Louis Creek.
 Smith, C., Burns Lake.
 Smith, C., Endako.
 Smith, G. W., Houston.
 Smith, J. R., Topley.
 Smoaslet, P., Prince George.
 Snell, G., Vanderhoof.
 Sobberg, C., South Bank.
 Solbreken, O., Terrace.
 Sonneveldt, A., Engen.
 Spillman, R., Burns Lake.
 Stain, H., Nading River.
 Stampflee, H. A., Mapes.
 Stanton, T. H., Francois Lake.
 Stanton, G. B., Francois Lake.
 Stanyer, R. C., Francois Lake.
 Stanyer, E. J., Francois Lake.
 Stanyer, J., Francois Lake.
 Starrett & Ferguson, Rose Lake.
 Starring, J. E., Rose Lake.
 Stearns, H. E., Box 29, Burns Lake.
 Stearns, F. M., Burns Lake.
 Steele, T. G., Vanderhoof.
 Steiner, F., Lejac.
 Steiner, J., Lejac.
 Stephenson, A. J., Bickle.
 Stinson, A. M., Prince George.
 Stock, A., Monte Creek.
 Striegler, R. H., Mapes.
 Strimbolt, E. J., Topley.
 Strom, H., Hulatt.
 Stryker, E. A., Nadina River.
 Stubbs, M. H., Danskin.
 Sturgeon, A. G., Forestdale.
 Sturgeon, D., Rose Lake.
 Sturgeon, N. D., Rose Lake.
 Stutz, H., Chinook Cove.
 Sundin, H., South Bank.
 Surkan, N., Armstrong.
 Sutton, G. L., Isle Pierre.
 Svendsen, H. E., Ashcroft.
 Spear, J. R., Winnipeg.
 Swanson, G., Bickle.

Swanson, O., Bickle.	Wade, H. C., Smithers.
Swanson, T., Bickle.	Walther, D., Decker Lake.
Swanson, J., North Buckley.	Walton, T. J., Fort Fraser.
Swisher, G. D., Telkwa.	Wardrop, D. P., Lochdale.
Taylor, S. J., Fraser Lake.	Warin, G., Fort Fraser.
Taylor, V. A., Burns Lake.	Warn, C., Decker Lake.
Temti, C., Topley.	Warne, J., Terrace.
Thomas, C. H., Terrace.	Watkins, C. E., Savory.
Thomson, D. S., Box 23, Fort Fraser.	Watson, J. V., Topley.
Thomson, W. H., Palling.	Watson, C. H., Houston.
Thomasson, J., Terrace.	Watson, P., Houston.
Thorsen, A., Savory.	Watson, D., Burns Lake.
Thorsness, C., Prince George.	Watt, Wm., Bickle.
Tibbetts, R. L., Birch Island.	Weatherspoon, A. J., Burns Lake.
Tittmore, S. V., Fort Fraser.	Weeks, J. M., Grassy Plains.
Tolhurst, F. J., Nadina.	Weiland, L. E., Armstrong.
Tom, J., Moricetown.	Weissbrod, J., Fort Fraser.
Tom, W., Forestdale.	Weldon, W. H., South Bank.
Tomkins, F. S., Telkwa.	Wells, G., Vanderhoof.
Trail, A. N., Telkwa.	West, L. H., Savory.
Tucker, J., Louis Creek.	Westgarde, M. L., Topley.
Turner, T. A., Box 119, Prince George.	Westland, C., Monte Lake.
Turner, J. W., Smithers.	White, J., South Bank.
Turner, W. B., Prince George.	Wiggins, J. A., Forestdale.
Turnquist, A., South Bank.	Williams, T., Palling.
Tyler, R. A., Nadina River.	Willington, L. A., Fort Fraser.
Tyler, M. D., Nadina River.	Willington, J. J., Fort Fraser.
Uppenborn, J., Barriere.	Willington, D., Fort Fraser.
Van Horn, W. B., Telkwa.	Wilson, W. S., Mapes.
Van Lear, J., Nadina River.	Wilson, P., Quick.
Van Tine, L., Nadina River.	Wilson, A. H., Terrace.
Van Tine, E., Nadina River.	Wold, C., Topley.
Viney, E., Endako.	Wolverton, Wm., Chu Chua.
Vinnedge, N. S., Fort Fraser.	Yocum, H., Barriere.
Vinnedge, O. E., Fort Fraser.	Young, J. J., Louis Creek.
Vinnedge, G. E., Fort Fraser.	Zanton, J. Van, Francois Lake.
Vinnedge, G. G., Fort Fraser.	Zielke, J. A., Sheraton.
Vinnedge, E. D., Box 45, Fort Fraser.	Zielke, T., Sheraton.
Voelkl, F., Prince George.	Zielke, G., Sheraton.
Volkman, H., Nadina River.	Zoggff, H., Smithers.
	Zobenie, A., Smithers.

STATEMENT IN ALPHABETICAL ORDER SHOWING NAMES AND POST OFFICE ADDRESSES OF ALL FIRMS AND INDIVIDUALS WITH WHOM CONTRACTS WERE PLACED FOR TIES FOR DELIVERY IN YEAR 1931.

GRAND TRUNK WESTERN

Anderson, E. S., Muskegon, Mich.	Joyce-Watkins Company, Chicago, Ill.
Ayer & Lord Tie Company, Chicago, Ill.	Michigan Wood Preserving Company, Reed City, Mich.
Baker Wood Preserving Co., Ohio (Washington Court House).	Moss Tie Company, St. Louis, Mo.
Holmes, G. H., Detroit, Mich.	Webster Lumber Company, Manistique, Mich.
Indiana Tie Company, Evansville, Indiana.	Weiler, C. A., Detroit, Mich.

MAY 17, 1932.

The Select Standing Committee on Railways and Shipping met at 11 o'clock. Mr. Hanson presiding.

The CHAIRMAN: Sir Henry, in discussion with Mr. Smart some days ago with respect to expenditures by the railways, and especially the control of expenditures, he told me that special machinery had been set up, and following the conversation he wrote me a letter, dated May 14, 1932, which reads as follows:—

You will recall my speaking to you some days ago about the special machinery that has been set up for the control of expenditures on the Canadian National Railways.

I attach copy of P.C. 1398, dated June 17, 1931, putting into effect By-law No. 18 of the Canadian National Railways, together with a short memorandum which outlines the general information required by the Finance Committee and which is provided by the Secretary of the Finance Committee, who is Director of Statistics of the railway company, and maintains a constant contact with the progress of the A.F.E.'s. For your information A.F.E. means "Authority for Expenditure."

It might be well that your committee be informed of this machinery.

Now, the enclosure included, first of all, a copy of the By-law No. 18 which was enacted on the 2nd of June, 1931, establishing a Finance Committee. Section 1 of the By-law set up a committee consisting of the president of the company, the director holding the position of Deputy Minister of Railways and Canals, and the director holding the position of vice-president in charge of legal affairs of the company. Section 2 of the By-law gives the jurisdiction of the committee, namely:—

The Finance Committee shall, notwithstanding anything in any By-law to the contrary, have supervision and control over all matters relative to the capital requirements of the company and in particular in respect of the provision of the moneys therefor and the allocation of such moneys.

Sections 2, 3, 4, 5, 6 and 7 relate only to procedure under that By-law; and section 8 requires the approval of the Governor in Council.

The order in council passed on 17th day of June, 1931, P.C. 1398, ratifies in express terms By-law 18. Now, the particular point which I wish to draw to your attention, Sir Henry, and which the Committee thought we should have some expression of opinion upon, resulting from the discussion which arose thereon is that this By-law only refers and only relates to capital requirements of the company, and in particular to the raising of the money and the allocation of the money. What we would like to know is: I understood from Mr. Smart, and I so informed the Committee that this Finance Committee had control not only of capital requirements of the company, the provision for raising the money and the allocating of the money, but it also had control over expenditures other than those of a capital nature within certain limitations; and the suggestion has been made here that inasmuch as the By-law does not cover anything but capital requirements, it should be amended so as to cover

large contracts other than, we will say, ordinary routine such as payroll. Before making any recommendation of that character, Mr. Chaplin thought—and I think perhaps other members of the Committee joined in that view—that we should hear from you and Mr. Grant and Mr. Hungerford your views as to the extension of the principle covered by Section 2 of this By-law to cover not only capital requirements but current requirements—all expenditures.

Sir HENRY THORNTON: I quite understand, and your recital of the situation is entirely correct. From a purely legal point of view, the functions of the Finance Committee relate exclusively to what has been described in the By-law and the order in council, namely, capital expenditures, the allocation thereof, and the raising of those moneys; but, as a matter of fact, that has been somewhat and automatically extended in that we have discussed at the meetings of the Finance Committee the expense situation currently because, necessarily, that had a repercussion—an unavoidable repercussion on the capital situation; that is, the money which is available, for instance, for meeting the interest on the funded debt in the hands of the public has got to be made up by appropriations from the Government; and by common consent—not any particular policy—but by common consent, and because it turned out to be a useful thing to do, there have been discussed at the meetings of the Finance Committee matters which are technically beyond the scope of the order in council and the By-laws. I think Mr. Smart will bear me out in that. Now, when you come to the question of contracts for supplies, large contracts covering such matters as rail, coal and oil and things of that sort which run into a great many hundreds of thousands of dollars, the board of directors recently discussed the whole question and they felt, and I fully agreed with them as chairman of the company, that they should be posted with respect to what these orders were, the price, maybe, and who got them, and all those things which would naturally fall within the activities of the board of directors.

The CHAIRMAN: How long since was that suggestion made?

Sir HENRY THORNTON: That came into being—was approved at the last meeting of the board, or the meeting before last.

Mr. DUFF: Was that before or after the contract was made?

Sir HENRY THORNTON: I am going to explain what happened. The first thought of the board was that all prospective contracts, exceeding \$5,000, should be reported to the board, but when we came to examine that we found that it involved such a large number of contracts, so much work, that the board decided they would take the thing rather piecemeal and see how it worked out. Accordingly, a resolution was passed that the purchasing agent should report to the executive committee that contracts for a sum larger than \$25,000—

Mr. DUFF: That is, proposed contracts?

Sir HENRY THORNTON: Proposed contracts. You can correct me, Col. Smart, if I am wrong because I am speaking from memory and I have not the resolutions before me, although I think I am not far from the truth—all prospective contracts, exceeding \$25,000, should, if possible, be reported to the Executive Committee for their approval, but, if, in the interests of the company, as sometimes happens, it was necessary, in the interests of economy also, to close a contract for a larger sum than \$25,000, that that was within the province of the president, and the vice-president in charge of purchases, but the facts should be reported at the next meeting which would be, at most, only a few days away, to the Executive Committee for their examination. So that the Executive Committee has set up machinery which, in their judgment, safeguards that situation, and we were going to try that for a month or so to see how it worked—to see whether or not it reduced delay or proved expensive, or whether it proved practicable. And that is what the Executive Committee and the board of directors are now working on.

As far as the general expense situation is concerned, as I have said before, although it is technically beyond the scope of that order in council, that has been more or less pretty generally discussed at the meetings of the Finance Committee. Now, have I made that clear?

The CHAIRMAN: I think so. One point I would like to have made clear is this: Until very recently, then, there has been no control of expenditures. I will put it this way: Up to the time of the passing of By-law No. 18 was anybody charged with the control of expenditures of any character?

Sir HENRY THORNTON: Excepting this, Mr. Chairman: In the first instance, you will recall that at the last meeting of this committee a year ago I outlined to you and explained a system of budget control which we brought into being with the approval of the board, and I may say that that has worked extraordinarily satisfactorily and has resulted in saving a good deal of money. Each month and each week—each month the financial performance of the railway has been reported to the board in detail, and the directors have examined it and have expressed from time to time opinions thereon. At the weekly meetings of the Executive Committee I have kept that Committee posted as to the trend of traffic and generally given them all the information which I got without burdening them with too much detail as to just what the expenditures were. I do not think it is quite accurate to say there has not been any control.

The CHAIRMAN: I mean by the board.

Sir HENRY THORNTON: Only in the sense that I have outlined to you. Is that not so, Col. Smart?

Mr. SMART: I just want to point out one thing, perhaps, that we have not taken into consideration, and that is that automatically the Finance Committee came into the picture on other expenditures for this reason that in the set-up of the Treasury Department to indicate the amount of money required one of the items that comes in is the total receipts—that is the receipts—and, therefore, it has an effect on the other amounts of money that are required.

The CHAIRMAN: To the extent that you have not got money available to make expenditures.

Mr. SMART: It comes into the picture.

Sir HENRY THORNTON: You cannot very well keep it out of the picture.

Mr. SMART: It automatically comes into the picture; you have to consider it.

The CHAIRMAN: What the Committee wants to know is this: That under presently constituted authority as laid down by rule or regulation or by-law there is no specific body among the directors charged with control over contracts to be left for material and supplies with any limitation chargeable to current operation. Is that correct?

Hon. Mr. MANION: Correct me if I am wrong; but my understanding of it was that Mr. Vaughan, as purchasing vice-president, had the power practically to make any of these deals himself, and there was practically no check.

Sir HENRY THORNTON: That is substantially correct in this way, excepting in these things he always reported to me any large purchases, and I frequently approved of it, or discussed it with the executive committee. That is the general work.

Hon. Mr. MANION: My understanding was that Mr. Vaughan, the purchasing vice-president, had the power to let a contract without tenders, if he so desired. He made a price and let the contract without tenders. I can think of one that was made in that way. I am not criticizing Mr. Vaughan, although it has always appeared to me, since it came to my attention, that too much power was put in the hands of any one man. In reading the reports of the committee

the last two or three months or so, I took it that you were getting down to some sort of a committee to which Mr. Vaughan would have to report, if possible, before the contracts were let.

Sir HENRY THORNTON: Of course, the problems in a large enterprise such as the Canadian National Railways, which is scattered over a wide territory, are to provide safeguards which ought to be provided without resulting in expenses and delay, and sometimes losing favourable contracts. For instance, a coal operator may come into Mr. Vaughan's office and by closing with him immediately he could get a price on coal which perhaps, if he held off ten days, he would not get.

The CHAIRMAN: Any contract of that character could always be subject to ratification.

Sir HENRY THORNTON: I am only giving you an instance.

The CHAIRMAN: I think we understand pretty well just what the system has been in the past. The object in asking you gentlemen here is this: is there any objection to this Committee making a recommendation which would include not only capital expenditure under section 2, by-law 18, but current expenditure for substantial contracts.

Sir HENRY THORNTON: Well, I would personally not only favour that, I certainly would not object to it.

Hon. Mr. CHAPLIN: How often does the payroll come?

Sir HENRY THORNTON: Twice a month.

The CHAIRMAN: In certain cases once a week, is it not?

Mr. GRANT: No, I do not think we have a weekly payroll.

Hon. Mr. MANION: Might it not be too much work to put on one committee? Should it not be possible for another committee of the directorate to handle it?

The CHAIRMAN: That is a question of procedure; the principle is what we want.

Sir HENRY THORNTON: The finance committee probably has more time at its disposal; it is more readily available and could deal with the matter with more facility than another committee. If you appointed another committee then they would all have to be—

The CHAIRMAN: Sir Henry has expressed agreement with the principle. What do you say about it, Mr. Hungerford? Would it militate against the efficient operation of the railways?

Mr. HUNGERFORD: You are speaking now, Mr. Chairman, with respect to the purchasing contract?

The CHAIRMAN: Yes.

Mr. HUNGERFORD: No, I do not think there will be any objection to it, excepting there should be a reasonable minimum limit.

The CHAIRMAN: I agree with you, of course.

Mr. HUNGERFORD: That was the basis of the discussion before the board a short time ago, at which Mr. Vaughan was present, and explained in great detail the methods, and some of the difficulties of the situation. Twenty-five thousand dollars would be the minimum, and it was understood and agreed that a test of that would be made to see how it worked.

Sir HENRY THORNTON: We started, Mr. Chairman, originally with \$5,000, but that involved such an enormous number of contracts, and such a tremendous detail, that the directors decided themselves that they would start off with \$25,000 to see how it worked.

The CHAIRMAN: It seemed a reasonable minimum.

Sir HENRY THORNTON: Incidentally, if it was found that we could go lower than that, we would come down as low as we could without interfering with efficiency and economy.

The CHAIRMAN: The thought behind this, Mr. Hungerford, is, if the principle is good for capital expenditure, it ought to be good for current expenses. That is the thought behind it, without, however, in any way desiring to hamper the operations of the railway. I am sure that is in the mind of everyone of us.

Mr. SMART: I think you are quite right. The principle thought was to try to get some workable basis on which to try it out, and not leave the whole thing altogether to chance.

The CHAIRMAN: I know you have to experiment.

Sir HENRY THORNTON: It is pretty hard in an enterprise of such magnitude to hit upon a scheme of this sort which you are absolutely certain, before you try it, is going to work; and this plan that is now in operation was an experiment to see how it would work, and if it worked successfully, then to reduce the amount of contracts reportable to the lowest practicable minimum.

The CHAIRMAN: Now then, Mr. Grant, you are the vice-president in charge of finance, and we think we ought to have your views in this matter.

Mr. GRANT: Well, the principle is quite sound, so far as the finance end is concerned.

The CHAIRMAN: There is no objection to it from your department?

Mr. GRANT: No objection from the financial point of view at all.

Mr. HEAPS: Who is the finance committee, by the way, Mr. Chairman?

Mr. CHAIRMAN: According to section one of the bylaws, the finance committee consists of three members of the board, namely the president of the company, who shall be the chairman of the committee, the director holding the position of Deputy Minister of Railways and Canals, and the director holding the position of vice-president in charge of legal affairs of the company; that is to say, the president, the Deputy Minister of Railways, and the general counsel of the company.

Mr. SMART: May I point out, Mr. Hanson, that the committee have to be unanimous; it is not passed on a vote.

The CHAIRMAN: I did not read that section. There must be an agreement. That, of course, is a further safeguard.

Hon. Mr. CHAPLIN: Two out of three will not carry an expenditure. It must be unanimous.

Sir HENRY THORNTON: That is right.

The CHAIRMAN: That is a further safeguard.

Sir HENRY THORNTON: My recollection is—the Minister may correct me if I am wrong—that was thought desirable at the time.

Hon. Mr. MANION: Yes. It was all discussed with myself and through Sir Henry Thornton, the Deputy and myself various times. In fact, it was discussed, I should think, two or three months before it was passed. We were favourable to it before they got it down to what they thought was a favourable basis, and we passed an order in council putting it into effect.

Mr. POWER: Following up the question of the Minister, or the suggestion of the Minister about too much work on this committee, and setting up another committee to do the work, in how many instances were purchases of \$25,000 made by the committee?

Sir HENRY THORNTON: I cannot answer that except in this way, that I do not think the number of cases to be dealt with would be of such a character that they could not be dealt with by the present finance committee. I think it is a

mistake to multiply committees in any enterprise that could be avoided, and this finance committee, as I say, consists of individuals who are available almost every day, at any time. I myself and others, have nothing to do but to attend the work of the railways, and in the case of the Deputy Minister, the work of the department is practically speaking, the work of the railway.

Mr. HEAPS: Supposing there was a case of an emergency contract and one of the members of the finance committee was away. What then?

Mr. SMART: There is a provision in there to take care of that, Mr. Hanson.

Hon. Mr. CHAPLIN: That is in there.

The CHAIRMAN: Sub-clause 2 provides, that the resolutions of the committee to be effective, must be unanimous. Now, that takes care of the point raised by Mr. Chaplin. Subsection 6—

Hon. Mr. CHAPLIN: There is another section that covers the question asked.

The CHAIRMAN: Subsection 6 says:—

The Minutes of each meeting of the Finance Committee shall be read at and to its next following meeting, and each resolution of the Finance Committee shall, together with the full Minutes (including matters upon which the members of the Finance Committee do not agree) of the meeting at which passed be submitted to the directors or to the Executive Committee thereof, at the next meeting of the directors of the said Executive Council, whichever first held, and each such resolution of the Finance Committee so submitted to the directors of the said executive council, with the exception of the resolution of the Finance Committee which requires immediate carrying out, and is expressed in the resolution to be urgent, shall be subject to the approval or otherwise of the directors or of the said Executive Committee (acting within the scope of its authority as such committee) to which so submitted and shall not be effective unless and until so approved.

Hon. Mr. CHAPLIN: There is a clause there dealing with the case of a man being sick or away.

The CHAIRMAN: Another can be called in.

Mr. SMART:

In the event of any member of the Committee being unable to attend any meeting thereof he shall before the date of such meeting notify the Chairman of the said Committee of his inability to attend and at such time may nominate, advising the Chairman of his so doing, a member of the Executive Committee to act in his place on the Finance Committee at such meeting, and failing such nomination the other two members of the Committee may make such nomination for such member, and in the absence of the Chairman of the Committee at any meeting thereof the members of the Committee may nominate a chairman to act at such meeting.

Sir HENRY THORNTON: No such case has arisen.

The CHAIRMAN: But provision is made.

Sir HENRY THORNTON: Provision has been arranged, but I do not think there has been any case in which the appointed member of the Finance Committee has not been present at all meetings that I can recall. Can you recall any?

Mr. SMART: Yes. Last summer somebody was away. Mr. Anderson was nominated.

Sir HENRY THORNTON: Any way, the cases are very infrequent.

Mr. HUNGERFORD: There is just the matter of explaining details to which I should like to refer. There are a certain number of contracts that are let by the purchasing department that may be considered open contracts; quantities are not given at the time the contract was made but the prices and all of the other conditions are fixed. The purchasing agent is authorized to order from time to time, under the terms of the contract, such quantities as they may require. That complicates the situation just a little bit, because at the time the contract is made, the exact amount of the contract cannot be determined. But still I think those contracts would probably run over the \$25,000 in any event, and might still be included in the provision.

The CHAIRMAN: We can only make the recommendation on the principle, any way. The working out of the details will have to be left to the board. Thank you, gentlemen, I think that is all, unless some of the members have questions to ask.

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GRANT, MR. D. C. VICE-PRESIDENT OF FINANCE AND ACCOUNTING, CANADIAN NATIONAL RAILWAYS.

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HUNGERFORD, MR. S. J., VICE-PRESIDENT OF OPERATION AND CONSTRUCTION, CANADIAN NATIONAL RAILWAYS.

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KNUBLEY, H. J., MANAGER, MONTREAL TRUST COMPANY, MONTREAL.

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Mr. Decary's guarantee and assignment of lease to Canadian National Railways were the only factors which prompted loan, 249.

Two per cent collected over and above interest goes to reduction of principal and will amount to about \$50,000, 249.

Montreal property values have depreciated, 250.

Sir Henry Thornton became director of Montreal Trust Company on April 4, 1930, 251.

Cannot recollect similar loan having been granted only on a personal guarantee, 251.

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McCOMBE, DR., CHIEF MEDICAL OFFICER, CANADIAN NATIONAL RAILWAYS.

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McLAREN, MR. J. B., COMPTROLLER, FINANCE DEPARTMENT, CANADIAN NATIONAL RAILWAYS.

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In deficit of \$132,000,000 for nine year period \$70,000,000 was for deferred maintenance, 45.

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SEGUIN, MR. G. H., NOTARY, MONTREAL.

Purchase of Montreal house occupied by Sir Henry Thornton, 160.

No personal money paid, 160.

Purchase price for house \$175,000 and \$10,000 for furniture, 161.

Montreal Trust Company advanced \$185,000, 161.

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SMART, MR. V. I., DEPUTY MINISTER, DEPARTMENT OF RAILWAYS AND CANALS, OTTAWA, AND DIRECTOR, CANADIAN NATIONAL RAILWAYS.

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THORNTON, SIR HENRY W., PRESIDENT, CANADIAN NATIONAL RAILWAYS.

Officials pay for meals, pullmans, sleeping cars and hotels, 10, 16.

Auditing department scrutinize officials' accounts, 10, 16.

No express franks but some telegraph franks used by officials, 12.

Club dues for officials, 12.

Officials are loyal and honourable, 15, 106.

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Pension situation is very complicated one. Promises to provide Committee with an explanatory brief, 29.

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Truck operations are profitable up to 150 miles, 60.

Railways have not been sufficiently alive to inroads made by highway competition, 60.

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VAUGHAN, MR. R. C., VICE-PRESIDENT OF PURCHASES AND STORES, CANADIAN NATIONAL RAILWAYS.

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